

ROYCE FOCUS TRUST INC  
Form N-CSR  
March 08, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT  
OF  
REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

Address of Registrant: 745 Fifth Avenue  
New York, NY 10151

Name and address of agent for service: John E. Denneen, Esquire  
745 Fifth Avenue  
New York, NY 10151

Registrant's telephone number, including area code: (212) 508-4500

Date of fiscal year end: December 31

Date of reporting period: January 1, 2009 – December 31, 2009

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Item 1. Reports to Shareholders.

[Royce Value Trust](#)

[Royce Micro-Cap Trust](#)

[Royce Focus Trust](#)

# ANNUAL REVIEW AND REPORT TO STOCKHOLDERS

[www.roycefunds.com](http://www.roycefunds.com)

## A Few Words on Closed-End Funds

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**Royce & Associates, LLC manages three closed-end funds: Royce Value Trust, the first small-cap value closed-end fund offering; Royce Micro-Cap Trust, the only micro-cap closed-end fund; and Royce Focus Trust, a closed-end fund that invests in a limited number of primarily small-cap companies.**

A closed-end fund is an investment company whose shares are listed and traded on a stock exchange. Like all investment companies, including open-end mutual funds, the assets of a closed-end fund are professionally managed in accordance with the investment objectives and policies approved by the fund's Board of Directors. A closed-end fund raises cash for investment by issuing a fixed number of shares through initial and other public offerings that may include shelf offerings and periodic rights offerings. Proceeds from the offerings are invested in an actively managed portfolio of securities. Investors wanting to buy or sell shares of a publicly traded closed-end fund after the offerings must do so on a stock exchange, as with any publicly traded stock. This is in contrast to open-end mutual funds, in which the fund sells and redeems its shares on a continuous basis.

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## A Closed-End Fund Offers Several Distinct Advantages Not Available From An Open-End Fund Structure

Since a closed-end fund does not issue redeemable securities or offer its securities on a continuous basis, it does not need to liquidate securities or hold uninvested assets to meet investor demands for cash redemptions, as an open-end fund must.

In a closed-end fund, not having to meet investor redemption requests or invest at inopportune times is ideal for value managers who attempt to buy stocks when prices are depressed and sell securities when prices are high.

A closed-end fund may invest more freely in less liquid portfolio securities because it is not subject to potential stockholder redemption demands. This is particularly beneficial for Royce-managed closed-end funds, which invest in small- and micro-cap securities.

The fixed capital structure allows permanent leverage to be employed as a means to enhance capital appreciation potential.

Unlike Royce's open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. In May 2009, the Funds announced the suspension of the quarterly distribution policies for their common stock. Each Fund's Board of Directors will consider lifting the suspension once such Fund's capital loss carryforward has been utilized to offset realized gains. Please see page 19 for more details.

*We believe that the closed-end fund structure is very suitable for the long-term investor who understands the benefits of a stable pool of capital.*

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## Why Dividend Reinvestment Is Important

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A very important component of an investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 13, 15 and 17. For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, please see page 19 or visit our website at [www.roycefunds.com](http://www.roycefunds.com).

[This page is not part of the 2009 Annual Report to Stockholders](#)

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*For more than 35 years, we have used a value approach to invest in small-cap securities. We focus primarily on the quality of a company's balance sheet, its ability to generate free cash flow and other measures of profitability or sound financial condition. We then use these factors to assess the company's current worth, basing the assessment on either what we believe a knowledgeable buyer might pay to acquire the entire company, or what we think the value of the company should be in the stock market.*

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## Performance Table

### NAV Average Annual Total Returns

Through December 31, 2009

|                      | Royce<br>Value Trust | Royce<br>Micro-Cap Trust | Royce<br>Focus Trust | Russell 2000 |
|----------------------|----------------------|--------------------------|----------------------|--------------|
| Fourth Quarter 2009* | 6.19%                | 3.85%                    | 7.19%                | 3.87%        |
| July-December 2009*  | 29.35                | 23.44                    | 30.90                | 23.90        |
| One-Year             | 44.59                | 46.47                    | 53.95                | 27.17        |
| Three-Year           | -6.18                | -7.01                    | -0.34                | -6.07        |
| Five-Year            | 1.36                 | 1.00                     | 5.44                 | 0.51         |
| 10-Year              | 7.57                 | 8.64                     | 11.72                | 3.51         |
| 15-Year              | 10.19                | 10.56                    | n.a.                 | 7.73         |
| 20-Year              | 10.34                | n.a.                     | n.a.                 | 8.34         |
| Since Inception      | 10.29                | 10.20                    | 10.82                |              |
| Inception Date       | 11/26/86             | 12/14/93                 | 11/1/96**            |              |

### Important Performance and Risk Information

All performance information in this *Review and Report* reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The Royce Funds invest primarily in securities of micro-, small- and mid-cap companies, which may involve considerably more risk than investments in securities of larger-cap companies.

\* Not annualized

\*\* Date Royce & Associates, LLC assumed investment management responsibility for the Fund.

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## Letter to Our Stockholders

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### Good Day Sunshine

It would be easy, and more than a little tempting, to tell the story of the stock market in 2009 as a stirring tale of triumph over adversity, the saga of plucky equities battling back to positive returns from near certain defeat in the wake of almost total undoing. Undoubtedly, it was a healthy development for share prices to climb back upward almost unimpeded from early March through the end of the year, especially during those times when the bullish phase was accompanied by improved news on the economic front. **Moreover, it was a worldwide rally that lifted stock prices in all asset classes and nearly every sector and industry.** So why aren't we feeling cheerier about the Great Rally of 2009?

Part of the explanation is that the stuff of catchy soundbites and headlines too often fails to account for perspective, such as the longer-term view of things that we assume here at Royce. We were very pleased with the performance of the market and our Funds in 2009, but the year's heady returns must be placed in the larger context of what occurred not only in late 2008, but in the market cycle that began with the respective peaks for small-cap (in July 2007) and large-cap (in October 2007) stocks, peaks that neither index has come close to

We were very pleased with the performance of the market and our Funds in 2009, but the year's heady returns must be placed in the larger context of what occurred not only in late 2008, but in the market cycle that began with the respective peaks for small-cap (in July 2007) and large-cap stocks (in October 2007), peaks that neither index has come close to passing as of this writing.

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Charles M. Royce, President

*The idea of establishing a margin of safety in an investment is a widely shared tenet of value investors, and one that we take very seriously in our security selection processes here at Royce. When we look at small-cap companies, we are always thinking about risk preserving capital in difficult periods is as important to our portfolio managers as making it grow in healthy ones. With each company, we ask ourselves, What is the risk of permanent capital impairment? How well-insulated is this firm from bankruptcy? What are the risks compared to the potential reward?*

*We try to answer these questions by taking the company through rigorous fundamental analysis, which typically begins with the balance sheet, as financial risk is probably the most important to us. One general guideline that we use is to look for a better than two-to-one ratio of assets to stockholders equity for non-financial companies. This represents our primary margin of safety measure, providing, in our view, reasonably sufficient financial flexibility for the company to survive difficult periods for its business and/or industry.*

*Once comfortable with the balance sheet, we move our analysis to an*

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## Letter to Our Stockholders

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passing as of this writing. (And this does not include the long-term travails of the Nasdaq, still not recovered from its dot.com hangover in 2000). Seen from this admittedly more downbeat vantage point, the shine of the rally loses some luster. For our own purposes of managing assets and thinking about where the market may be headed next, this more sobering perspective is necessary. Recalling that overall equity returns still have some ground to cover before results for periods longer than one year are respectably in the black does not diminish the good news of 2009; it just places it in a different, less glaring light in which we think it can be better understood. On that issue (and others), we have more to say below.

Of course, the passing of 2009 is notable because it marks not just the end of a year, but of a decade. And what a decade it was. Though it ended with a bang, it left most investors whimpering. Perhaps the best way of summing up the last 10 years is to point out that when the decade to which it has most commonly been compared is the 1930s, it was not a good decade. The Aughts (or Zeroes, if you prefer) saw more than their share of significant incidents, whether one's purview is the stock market or the entire globe. To briefly tick off just a few of the major market events, we saw the bursting of the tech bubble, the proliferation of ETFs (exchange-traded funds), the growth of international investing, and one of the most destructive bear markets since the Great Depression. All of this took place amid horrific terrorist attacks, the bursting of the real estate bubble and a global recession that we are, hopefully, emerging from with the advent of the new decade. If nothing else, they were interesting times, even as many investors are happy to see them go.

### Everybody Had a Good Year...

That sentiment may be more true for large-cap investors than others, as the S&P 500's return for the decade was notably negative. Large-caps did, however, enjoy a more than respectable showing in 2009. **In fact, results for all three major indexes were outstanding, with the small-cap Russell 2000, S&P 500 and the Nasdaq Composite each posting their strongest calendar year performances since 2003 the Russell 2000 gained 27.2%, compared to 26.5% for the S&P 500 and 43.9% for the Nasdaq Composite.** After beginning the year with the most substantial losses, small-caps rallied hardest, leading from the market low on March 9, 2009. From that early March trough through the end of 2009, the Russell 2000 climbed 84.5% versus respective gains of 67.8% and 78.9% for the S&P 500 and Nasdaq Composite.

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While each major index performed very well from the March bottom, all three remained well shy of their respective peaks. From their previous highs in 2007, the Russell 2000 and S&P 500 were off 24.2% and 24.0%, respectively, through December 31, 2009, while the more tech-oriented Nasdaq Composite remained 55.1% below its high, made during March 2000. Unsurprisingly, then, each index's stellar one-year result was not enough to put respective three-year returns in positive territory, while their five-year results were only slightly positive. For the decade as a whole, results were equally dismal. The decade was the worst on record for both the small-cap and large-cap indexes. The average annual total return for the 10-year period was 3.5% for the Russell 2000 and -1.0% for the S&P 500. The Nasdaq performed most poorly, losing 5.7% on an average annual total return basis for the decade.

For the calendar year, the MSCI EAFE (Europe, Australasia and Far East) index gained 31.8% and the MSCI World ex USA Small Core index rose 50.8%. Both indexes posted negative returns for the three-year period. However, five-year and 10-year results were positive and ahead of the Russell 2000 for the international small-cap index.

Within small-cap, growth substantially outperformed value in 2009—the Russell 2000 Growth index rose 34.5% versus 20.6% for the Russell 2000 Value index. Small-cap growth also held the performance edge in the three-year and five-year periods ended December 31, 2009. However, small-cap value outperformed in 2009's rally. From the market low on March 9, 2009 through December 31, 2009, the Russell 2000 Value index was up 88.1% versus 81.0% for the Russell 2000 Growth index. Small-cap value also outpaced its growth sibling for the 10-, 15-, 20- and 25-year periods ended December 31, 2009. Micro-cap results were also very strong for calendar 2009, with the Russell Microcap index up 27.5%. Within micro-cap, growth outperformed value for the one-, three- and five-year periods ended December 31, 2009.

## Yesterday

We were very pleased with the calendar-year performances for Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust. Each of our closed-end portfolios outperformed their respective benchmarks on both an NAV (net asset value) and market price basis. However, it was more important to us that each portfolio posted strong absolute NAV returns, with each portfolio returning in excess of 35% for the calendar year. We also remain very pleased that the Funds' returns in 2009 were a combination of strong relative

We expect investors to become more discriminating in the next market phase as the economy stabilizes and valuations are no longer at the fire-sale levels of late 2008 and early 2009. Such an environment should favor quality stocks—that is, those companies that have strong balance sheets, steady earnings and high returns on invested capital—in all asset classes.

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*assessment of the company's internal rates of return, particularly its return on invested capital, which gives us a strong sense of the sustainability of the company's success. This analysis provides an indication of whether or not the company's operations are likely to generate returns above and beyond the cost of capital, leading to increases in shareholder value. The ability to generate free cash flow and use it productively to grow the business and reward shareholders through dividends and share repurchases is one of the key attributes in our definition of a high-quality business. We like companies with little or no debt, but it's just as important for the business to be operating in a way that suggests it can maintain the same or a similar level of financial well-being over the long term, consistent with our own investment time horizon.*

*A third element that our portfolio managers and analysts seek are companies trading for at least a 30% discount to our estimate of their worth as a business, though our preferred discount is 50% to this estimate of intrinsic value. We operate on the assumption that under historically normal operating conditions the discount will narrow, but typically over the course of years, not months. In fact, if all works out according to plan, our investment in a small-cap stock trading at a 50% discount to its current worth would double over time, providing an average annual total return over four years of 18.9%. Purchasing shares at a 30% discount*

*Continued on page 8...*

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## Letter to Our Stockholders

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performance in the downturn that opened the year, as well as terrific showings during the rally that began in March. As always, we are as committed to capital preservation as we are to capital appreciation, our results in 2008 notwithstanding.

The rally has thus far been attractively egalitarian in nature, bestowing generous favor not only on stocks in all asset classes, but also to most sectors and industries. Of course, some areas did better than others. For the portfolios taken as a whole, the strongest sectors were Natural Resources (for Micro-Cap and Focus Trust) and Technology (in Value and Micro-Cap Trust). The former sector includes precious metals and mining companies as well as energy services stocks and oil and gas companies, all of which have exhibited considerable strength through the rally. The recovery for tech stocks, long overdue in our estimation, was keyed by the productivity and, in many cases, profitability of many tech businesses. In addition, much early M&A (merger & acquisition) activity during the downturn was focused on technology stocks, which seemed to attract investors.

One curious occurrence has been the thus-far relatively disappointing showing of small-cap companies that pay a dividend, one of our key identifiers of company quality. According to Bank of America-Merrill Lynch, dividend-paying small-cap stocks lagged their dividend-deficient small-cap peers by a wide margin. In 2009, these stocks were up 11.1% versus a gain of 40.0% for those small-cap stocks with no dividend yield. We anticipate that the market will move into a less feverishly bullish phase, one that should help dividend-paying small-caps to somewhat narrow this performance gap during the next year or so, as investors grow more concerned with quality. We are also expecting frequent and regular leadership rotation between small-cap and large-cap in a return environment that will look more historically typical than what we saw in 2008 and 2009.

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## Tomorrow Never Knows

The stock market has survived a number of difficulties—severe bear markets, scandals, and indirectly related events such as those of 9/11. So while the past decade was very tough, going forward we are confident that equities will not just survive, but prosper—that is, creating returns in excess of inflation. We fully anticipate that stocks will remain consistent with their historical role of building wealth over the long term and that diversified equity investments are the soundest method for investors to try to realize their goals. **While the economic outlook is uncertain, and many investors are still anxious, we accept the idea that, as much as we would like them to be infrequent, bear markets, even historically awful ones, remain a fact of investment life.** The best we can do is to act responsibly when they happen, trying to turn their declines to our long-term advantage. So while no one wants a recurrence of the sort of the near-disaster of 2008, we look to the future knowing that there are no guarantees. The only sure thing that we can see is the consistent presence of volatility.

Whatever else the new decade brings, the history of previous decades suggests that if returns are at or fall below historical levels, small-caps are likely to lead (as they did in the just-concluded decade); if returns exceed historical levels, large-caps are apt to be out in front. This has been the historical pattern regardless of whether an asset class had previously been underperforming. **In any case, it seems reasonable to expect better returns in the new decade.** The period will likely see its share of worrisome declines and exciting rallies and, as mentioned, several bouts of rotating market leadership between small-cap and large-cap stocks.

As the economic and financial crises move further back in time, we see the market entering a period of more historically typical returns, with annualized returns somewhere in the high single digits. Although it remains early to pronounce with complete confidence, the market appears to be moving out of the initial recovery phase that began with the early rally in March 2009. This bull phase has been very dynamic and particularly good for non-dividend payers, non-earners and very low-priced stocks. In other words, it was a bull run in which few investors were paying attention to risk. We expect investors to become more discriminating in the next market phase as the economy stabilizes and valuations are no longer at the fire-sale levels of late 2008 and early 2009. Such an environment should favor quality stocks—that is, those companies that have strong balance sheets, steady earnings and high returns on invested capital—in all asset classes.

Our approach has always centered on three qualities: ample attention to risk; a concentration on absolute returns; and a long-term investment horizon.



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*would yield a 9.4% average annual total return over four years if the market discount gap were to close.*

*At times, more patience than we originally thought is required. There are also those times when our security selections simply do not work out according to plan. While our margin of safety is designed to help us manage business risk, the vagaries of markets and economies can conspire to make these efforts ineffective. Numerous factors can and will get in the way, including the inaccuracy of our estimate and unforeseen changes to the business, its management or its industry, to name just a few. These potential obstacles notwithstanding, we are content to try to get it right, even as we know there have been numerous times in which we have gotten it wrong (as well as those wonderful instances in which our expectations are exceeded).*

*This is why entry and exit price are so crucial to our total return experience with any stock. Our estimate of the worth of a business helps us to determine an ideal entry price. However, prices move around quite a bit in the course of a single trading day, so we choose not a single price but a range of prices that we are happy to pay for a given stock. Ever cautious, we usually use a dollar-cost-averaging model, which equates to a slow wade into the shallow end of the pool. We tend to use the same practice when selling shares as well. Importantly, any long-term success to which we can lay claim depends on always being cognizant of the need to maintain that margin of safety.*

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## Letter to Our Stockholders

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## Any Time At All

We would happily welcome more investors eager to embrace quality in 2010, though our own time-tested, quality-centric style will remain in place regardless of the market's direction. We remain confident in our consistent, disciplined approach, a confidence rooted in close to four full decades managing small-cap portfolios. **This nearly 40-year period, which has seen more than its share of booms and busts, encompasses the life span of one Royce closed-end fund with more than 20 years of history, one with more than 15, and a third with more than 10 years of performance history.** We believe that each represents an example of helping investors to build wealth over the long term in a variety of market climates.

Our approach has always centered on three qualities: ample attention to risk; a concentration on absolute returns; and a long-term investment horizon. In order for an investment approach to be successful, we have always believed it must devote significant attention to risk; failing to do so can erode or eradicate returns. Our emphasis on absolute, not relative, returns allows us to offer what we think are more realistic return expectations, especially during very volatile or dynamic short-term periods. Over the long or short run, beating the market is never our objective; it is instead a happy byproduct of successfully executing our investment discipline. **Finally, the habit of looking beyond the current quarter or year greatly enhances our ability**

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**to develop an effective investment thesis in a world too often pre-occupied with short-term results.** We find that it is far easier to have an idea of *what* is going to happen than it is to know *when* it is going to happen. We seek to turn our patience into potential profit.

We have always believed in the critical importance of focusing on what we know and not concerning ourselves about what we cannot control. Our dedication to a disciplined process is the best way to give our shareholders and ourselves the greatest opportunities to build wealth.

Sincerely,

Over the long or short run, beating the market is never our objective; it is instead a happy byproduct of successfully executing our investment discipline.

Charles M.  
Royce  
*President*  
January 31, 2010

W. Whitney  
George  
*Vice President*

Jack E. Fockler, Jr.  
*Vice President*

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## Small-Cap Market Cycle Performance

We believe strongly in the idea that a long-term investment perspective is crucial for determining the success of a particular investment approach. Flourishing in an up market is wonderful. Surviving a bear market by losing less (or not at all) is at least as good. However, the true test of a portfolio's mettle is performance over full market cycle periods, which include both up and down market periods. We believe that providing full market cycle results is more appropriate even than showing three- to five-year standardized returns because the latter periods may not include the up and down phases that constitute a full market cycle.

Since the Russell 2000's inception on 12/31/78, value as measured by the Russell 2000 Value Index outperformed growth as measured by the Russell 2000 Growth Index in six of the small-cap index's eight full market cycles. The most recently concluded cycle, which ran from 3/9/00 through 7/13/07, was the longest in the index's history, and represented what we believe was a return to more historically typical performance in that value provided a significant advantage during its downturn (3/9/00-10/9/02) and for the full cycle. In contrast, the new market cycle that began on 7/13/07 has so far favored growth over value, an unsurprising development when one considers how thoroughly value dominated growth in the previous full cycle.

### Peak-to-Peak

For the full cycle, value provided a sizeable margin over growth, which finished the period with a loss. Each of our closed-end funds held a sizeable performance advantage over the Russell 2000 on both an NAV (net asset value) and market price basis. On an NAV basis, Royce Focus Trust (+264.2%) was our best performer by a wide margin, followed by Royce Micro-Cap Trust (+175.9%) and Royce Value Trust (+161.3%). The latter two funds benefited from their use of leverage during this, as well as in subsequent bullish periods.

### Peak-to-Current

During the difficult, volatile decline that ended 3/9/09, both value and growth posted similarly negative returns. Events in the financial markets immediately preceding the end of 2008's third quarter caused the Russell 2000 to decline significantly. After a brief rally at the end of 2008, the index continued to fall. Since then the index recovered significantly, gaining 84.5% from 3/9/09 through 12/31/09.

Royce Focus Trust managed to slightly outperform the index during the decline, while all three of our closed-end funds outperformed during the rally from 3/9/09 through 12/31/09.

| ROYCE FUNDS NAV TOTAL RETURNS VS. RUSSELL 2000 INDEX: MARKET CYCLE RESULTS |                                    |                                      |                                          |                                         |
|----------------------------------------------------------------------------|------------------------------------|--------------------------------------|------------------------------------------|-----------------------------------------|
|                                                                            | Peak-to-Peak<br>3/9/00-<br>7/13/07 | Peak-to-Trough<br>7/13/07-<br>3/9/09 | Trough-to-Current<br>3/9/09-<br>12/31/09 | Peak-to-Current<br>7/13/07-<br>12/31/09 |
| <b>Russell 2000</b>                                                        | <b>54.9%</b>                       | <b>-58.9%</b>                        | <b>84.5%</b>                             | <b>-24.2%</b>                           |
| <b>Russell 2000 Value</b>                                                  | <b>189.5</b>                       | <b>-61.1</b>                         | <b>88.1</b>                              | <b>-26.9</b>                            |
| <b>Russell 2000 Growth</b>                                                 | <b>-14.8</b>                       | <b>-56.8</b>                         | <b>81.0</b>                              | <b>-21.8</b>                            |
| Royce Value Trust                                                          | 161.3                              | -65.6                                | 112.4                                    | -26.9                                   |
|                                                                            | 175.9                              | -66.3                                | 113.9                                    | -28.0                                   |

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Royce  
Micro-Cap  
Trust

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|                      |       |       |      |       |
|----------------------|-------|-------|------|-------|
| Royce Focus<br>Trust | 264.2 | -58.3 | 95.6 | -18.3 |
|----------------------|-------|-------|------|-------|

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The thoughts concerning recent market movements and future prospects for smaller-company stocks are solely those of Royce & Associates and, of course, there can be no assurance with regard to future market movements. Smaller-company stocks may involve considerably more risk than larger-cap stocks. Past performance is no guarantee of future results. See page 2 for important performance information for all of the above funds.

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**AVERAGE ANNUAL NAV TOTAL RETURNS**

Through 12/31/09

|                            |       |
|----------------------------|-------|
| Fourth Quarter 2009*       | 6.19% |
| July-December 2009*        | 29.35 |
| One-Year                   | 44.59 |
| Three-Year                 | -6.18 |
| Five-Year                  | 1.36  |
| 10-Year                    | 7.57  |
| 15-Year                    | 10.19 |
| 20-Year                    | 10.34 |
| Since Inception (11/26/86) | 10.29 |

\*Not annualized

**CALENDAR YEAR NAV TOTAL RETURNS**

| Year | RVT   | Year | RVT   |
|------|-------|------|-------|
| 2009 | 44.6% | 2000 | 16.6% |
| 2008 | -45.6 | 1999 | 11.7  |
| 2007 | 5.0   | 1998 | 3.3   |
| 2006 | 19.5  | 1997 | 27.5  |
| 2005 | 8.4   | 1996 | 15.5  |
| 2004 | 21.4  | 1995 | 21.6  |
| 2003 | 40.8  | 1994 | 0.1   |
| 2002 | -15.6 | 1993 | 17.3  |
| 2001 | 15.2  | 1992 | 19.3  |

**TOP 10 POSITIONS**

% of Net Assets Applicable to Common Stockholders

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|                                |      |
|--------------------------------|------|
| Simpson Manufacturing          | 1.0% |
| Alleghany Corporation          | 0.9  |
| SEACOR Holdings                | 0.9  |
| Ritchie Bros. Auctioneers      | 0.9  |
| Sotheby's                      | 0.9  |
| Oil States International       | 0.9  |
| AllianceBernstein Holding L.P. | 0.9  |
| Ash Grove Cement Cl. B         | 0.9  |
| Reliance Steel & Aluminum      | 0.9  |
| HEICO Corporation              | 0.8  |

**PORTFOLIO SECTOR BREAKDOWN**  
% of Net Assets Applicable to Common  
Stockholders

|                                  |       |
|----------------------------------|-------|
| Industrial Products              | 22.4% |
| Technology                       | 19.2  |
| Industrial Services              | 16.5  |
| Financial Services               | 12.9  |
| Financial Intermediaries         | 12.4  |
| Natural Resources                | 10.5  |
| Health                           | 7.7   |
| Consumer Products                | 7.2   |
| Consumer Services                | 3.3   |
| Diversified Investment Companies | 0.3   |
| Miscellaneous                    | 4.9   |
| Preferred Stock                  | 0.2   |
| Cash and Cash Equivalents        | 8.4   |

## Royce Value Trust

### Manager's Discussion

Royce Value Trust's (RVT) portfolio of small-cap and micro-cap stocks enjoyed strong results on both an NAV (net asset value) and market price basis in 2009. **For the calendar year, RVT gained 44.6% on an NAV basis, and 35.4% based on market price, outpacing both of its unleveraged small-cap benchmarks, the Russell 2000, which was up 27.2%, and the S&P SmallCap 600, which rose 25.6%, for the same period.** The Fund's solid relative showing in the bearish first quarter was gratifying. During this period, the Fund was down 13.5% and 11.4% on an NAV and market price basis, respectively, while the Russell 2000 fell 15.0%, and the S&P SmallCap 600 declined 16.8%. During the second quarter, when stock prices rose precipitously, RVT held its advantage with impressive gains of 29.2% (NAV) and 19.1% (market price), compared to the Russell 2000's increase of 20.7%, and the S&P SmallCap 600's of 21.1%. With the suspension of the Fund's quarterly distribution policy having a negative impact on its market price returns, we were pleased with the Fund's strong first-half rebound.

This pattern continued in the equally dynamic third quarter, in which RVT gained 21.8% on an NAV basis and 22.9% on a market price basis, outpacing each of its small-cap benchmarks between July and September, the Russell 2000 and the S&P SmallCap 600 climbed 19.3% and 18.7%, respectively. The fourth quarter saw a considerable slowdown in the pace of the rally, though returns remained positive for smaller companies. RVT rose 6.2% on an NAV basis and 4.4% on a market price basis in 2009's closing quarter, compared to a 3.9% increase for the Russell 2000 and a 5.1% gain for the S&P SmallCap 600.

The rally that began on March 9, 2009, though it stalled a bit in June and October, rolled on mostly unimpeded through the end of the year. From that early March low through December 31, 2009, the Fund's results were strong, up 112.4% (NAV) and 118.4% (market price), while the Russell 2000 was up 84.5% and the S&P SmallCap 600 rose 85.1%. The Fund's ability to leverage clearly helped its recent NAV returns. However, we want to offer a word of caution that the bull phase remains a short one for now and in any case has not yet made back the losses incurred during 2008 or since the small-cap peak on July 13, 2007. (For more on the RVT's results over recent market cycles, please see page 10.)

Over longer-term time periods, the Fund's NAV returns were solid on a relative basis, with absolute NAV returns showing strength for the one-year and 10-year or longer periods. We were very pleased that our style of active, disciplined management enabled RVT to beat the Russell 2000 on an NAV basis for the one-, five-, 10-, 15-, 20-year and since inception (11/26/86) periods ended December 31, 2009. The Fund beat the S&P SmallCap 600 for each of these periods save the five-year span. **RVT's NAV average annual total return since inception was 10.3%.**

#### GOOD IDEAS THAT WORKED Top Contributors to 2009 Performance\*

|                         |       |
|-------------------------|-------|
| Diodes                  | 1.08% |
| Evercore Partners Cl. A | 1.00  |
| Sotheby's               | 0.95  |
| Credit Acceptance       | 0.91  |
| Advent Software         | 0.81  |

\*Includes dividends

### Important Performance and Risk Information

**All performance information reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than**



**performance quoted. Returns as of the recent month-end may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The market price of the Fund's shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund invests primarily in securities of small- and micro-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. The sum of all contributions and deductions for all securities would approximate the Fund's performance for 2009.**

## Performance and Portfolio Review

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For the full year, all but two of the Fund's equity sectors made positive contributions to performance, led by Technology. Strong showings also came from Industrial Products, Financial Services and Natural Resources. Returns at the industry level were equally diverse, with investment management, retail stores, software and energy services leading a diverse field of contributors.

Holding its place from the first half of 2009 as the Fund's top performer was Diodes, a semiconductor manufacturer with products touching the communications, computing, industrial and consumer electronics markets. Early strength in the company's Asian markets drove better-than-expected earnings for the year and increases in management's guidance for revenues and earnings going forward also helped. Evercore Partners, a financial services company focused on investment management and corporate advisory activities, led a broad contribution from its industry. Improved investor confidence and a gradual resumption in positive fund flows were the primary catalysts for the group's strong stock performance. Investment management remains an important area of focus for the Fund. Sotheby's is a leader in the highly consumer-sensitive niche of fine art, antique and collectible auctions. Its stock performed handsomely off the lows as investors bid its price higher, refocusing on the company's durable competitive advantage and valuable brand identity in the high-end auction space. Credit Acceptance is a specialty finance company principally involved in financing a range of activities for automobile dealers and their customers. Credit availability from traditional lenders remained extremely tight throughout the year, so the company was able to increase its market share and improve funding terms as auto sales activity gradually improved from low levels.

Bermuda-based Bank of N.T. Butterfield & Son continued to suffer amid the ongoing struggles of banking stocks and, while we remain cautious generally toward this industry, the company's strong core business and enviable market position give us the comfort to wait for an improved operating environment in the future. Ash Grove Cement was another disappointment, as this manufacturer of cement and limestone struggled under the weight of poor residential and commercial construction markets.

### GOOD IDEAS AT THE TIME Top Detractors from 2009 Performance\*

|                                |        |
|--------------------------------|--------|
| Bank of N.T. Butterfield & Son | -0.86% |
| Ash Grove Cement Cl. B         | -0.58  |
| Woodward Governor              | -0.50  |
| Lawson Products                | -0.48  |
| Crawford & Company Cl. B       | -0.47  |

\*Net of dividends

### MARKET PRICE PERFORMANCE HISTORY SINCE INCEPTION (11/26/86) through 12/31/09

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<sup>1</sup> Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception (\$10.00 IPO), reinvested all annual distributions as indicated and fully participated in

primary subscriptions of the Fund's rights offerings.

<sup>2</sup>Reflects the actual market price of one share as it traded on the NYSE.

## FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

|                                   |                 |
|-----------------------------------|-----------------|
| Average Market<br>Capitalization* | \$1,111 million |
|-----------------------------------|-----------------|

|                                 |       |
|---------------------------------|-------|
| Weighted Average<br>P/E Ratio** | 18.7x |
|---------------------------------|-------|

|                               |      |
|-------------------------------|------|
| Weighted Average<br>P/B Ratio | 1.8x |
|-------------------------------|------|

|                          |                 |
|--------------------------|-----------------|
| Fund Total Net<br>Assets | \$1,070 million |
|--------------------------|-----------------|

|              |     |
|--------------|-----|
| Net Leverage | 17% |
|--------------|-----|

|               |     |
|---------------|-----|
| Turnover Rate | 31% |
|---------------|-----|

|                    |     |
|--------------------|-----|
| Number of Holdings | 635 |
|--------------------|-----|

|              |       |
|--------------|-------|
| Symbol       |       |
| Market Price | RVT   |
| NAV          | XRVTX |

\*Geometrically calculated

\*\*The Fund's P/E ratio calculation excludes companies with zero or negative earnings (25% of portfolio holdings as of 12/31/09).

Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets, excluding preferred stock.

## CAPITAL STRUCTURE

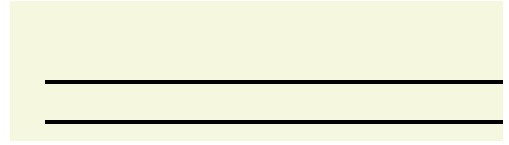
Publicly Traded Securities Outstanding  
at 12/31/09 at NAV or Liquidation Value

|                                           |               |
|-------------------------------------------|---------------|
| 66.0 million<br>shares<br>of Common Stock | \$850 million |
|-------------------------------------------|---------------|

|                                     |               |
|-------------------------------------|---------------|
| 5.90% Cumulative<br>Preferred Stock | \$220 million |
|-------------------------------------|---------------|

## DOWN MARKET PERFORMANCE COMPARISON

All Down Periods of 7.5% or Greater  
Over the Last 10 Years, in  
Percentages(%)



**AVERAGE ANNUAL NAV TOTAL RETURNS**

Through 12/31/09

|                            |       |
|----------------------------|-------|
| Fourth Quarter 2009*       | 3.85% |
| July-December 2009*        | 23.44 |
| One-Year                   | 46.47 |
| Three-Year                 | -7.01 |
| Five-Year                  | 1.00  |
| 10-Year                    | 8.64  |
| 15-Year                    | 10.56 |
| Since Inception (12/14/93) | 10.20 |

\*Not annualized

**CALENDAR YEAR NAV TOTAL RETURNS**

| Year | RMT   | Year | RMT   |
|------|-------|------|-------|
| 2009 | 46.5% | 2001 | 23.4% |
| 2008 | -45.5 | 2000 | 10.9  |
| 2007 | 0.6   | 1999 | 12.7  |
| 2006 | 22.5  | 1998 | -4.1  |
| 2005 | 6.8   | 1997 | 27.1  |
| 2004 | 18.7  | 1996 | 16.6  |
| 2003 | 55.5  | 1995 | 22.9  |
| 2002 | -13.8 | 1994 | 5.0   |

**TOP 10 POSITIONS**

% of Net Assets Applicable to Common Stockholders

|                         |      |
|-------------------------|------|
| Kennedy-Wilson Holdings | 2.3% |
| Sapient Corporation     | 1.7  |

|                                                   |       |
|---------------------------------------------------|-------|
| Seneca Foods                                      | 1.3   |
| Pegasystems                                       | 1.2   |
| Willbros Group                                    | 1.1   |
| iGATE Corporation                                 | 1.1   |
| Spherion Corporation                              | 1.0   |
| America's Car-Mart                                | 1.0   |
| Universal Truckload Services                      | 1.0   |
| Tennant Company                                   | 1.0   |
| <b>PORTFOLIO SECTOR BREAKDOWN</b>                 |       |
| % of Net Assets Applicable to Common Stockholders |       |
| Industrial Products                               | 21.4% |
| Technology                                        | 18.4  |
| Industrial Services                               | 13.7  |
| Natural Resources                                 | 11.3  |
| Health                                            | 9.7   |
| Financial Intermediaries                          | 9.3   |
| Financial Services                                | 9.2   |
| Consumer Products                                 | 8.0   |
| Consumer Services                                 | 3.5   |
| Diversified Investment Companies                  | 0.9   |
| Miscellaneous                                     | 4.9   |
| Preferred Stock                                   | 0.4   |
| Cash and Cash Equivalents                         | 14.0  |
|                                                   |       |
|                                                   |       |

## Manager's Discussion

After a red-hot first half, the portfolio of carefully selected micro-cap stocks that make up Royce Micro-Cap Trust (RMT) showed few signs of slowing down in the second half of 2009, which added up to a stellar year on both an absolute and relative basis. **RMT gained 46.5% on an NAV (net asset value) basis in 2009, and 37.9% based on market price, outpacing both of its unleveraged small-cap benchmark, the Russell 2000, which was up 27.2%, and the Russell Microcap index, which rose 27.5%, for the same period.** The Fund enjoyed a strong relative showing in the first-quarter downturn, losing 11.8% on an NAV basis and 5.9% based on market price, compared to respective declines of 15.0% and 15.2% for the Russell 2000 and Russell Microcap indexes. When stock prices began their ascent in the second quarter, the Fund gained 34.5% on an NAV basis and 19.5% on a market price basis. For the same period, the Russell 2000 was up 20.7%, and the Russell Microcap rose 25.0%. We were quite pleased with the Fund's mid-year results, especially with the suspension of the Fund's quarterly distribution policy, which had a negative impact on its market price returns during the second quarter.

The strength of the rally lasted through the third quarter, in which RMT gained 18.9% on an NAV basis and 21.5% on a market price basis, versus respective gains of 19.3% and 20.9% for the Russell 2000 and Russell Microcap indexes.

The fourth quarter was a more subdued, but still bullish period. RMT gained 3.9% on an NAV basis and 1.0% on a market price basis in the final quarter of 2009, compared to a 3.9% rise for the Russell 2000 and a loss of 0.5% for the Russell Microcap index.

The rally that kicked off in early March helped to spur the Fund's calendar-year performance. From the market low on March 9, 2009 through December 31, 2009, the Fund's showing was very strong, up 113.9% (NAV) and 116.8% (market price), while the Russell 2000 was up 84.5% and the Russell Microcap index rose 86.0%. We were very happy with the Fund's results, while RMT's ability to leverage clearly had a positive impact on recent NAV returns. However, we remain acutely aware that recent gains have not yet erased the losses in the current market cycle that began with the small-cap market peak on July 13, 2007.

(For more on the RMT's results over recent market cycles, please see page 10.) Still, we were pleased with the Fund's long-term NAV performances on a relative basis. RMT beat the Russell Microcap index (for which data goes back only to 2003) for the one-, three- and five-year periods ended December 31, 2009, and it outpaced the Russell 2000 for the one-, five-, 10-, 15-year and since inception (12/14/93) periods ended December 31, 2009. **The Fund's NAV average annual total return since inception was 10.2%.**

## Important Performance and Risk Information

All performance information reflects past performance, is presented on a

### GOOD IDEAS THAT WORKED Top Contributors to 2009 Performance\*

|                      |       |
|----------------------|-------|
| Pegasystems          | 2.74% |
| Spherion Corporation | 1.91  |
| Stein Mart           | 1.48  |
| Sapient Corporation  | 1.44  |
| Willbros Group       | 1.32  |

\*Includes dividends

**total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the recent month-end may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The market price of the Fund's shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund normally invests in micro-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. The sum of all contributions and deductions for all securities would approximate the Fund's performance for 2009.**



## Performance and Portfolio Review

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For the full year, all of the Fund's equity sectors made positive contributions to performance, with Technology and Industrial Products providing especially strong results. Natural Resources and Consumer Services also made strong showings, highlighting the remarkable breadth of the market's rally off the March lows. Within these sectors were four industry groups that merit mention for their own contributions. Net gains in Technology were driven by the software and IT Services industries, as previously restrained business investment returned first to those areas that enhance savings and improve productivity. Retail stores bounced back as tight inventory management and intelligent merchandising helped to offset decreased consumer activity. Finally, the precious metals and mining industry continued its winning ways within Natural Resources, as both underlying commodity prices and the operating metrics of individual companies improved steadily throughout the year.

Long-time holding Pegasystems, which manufactures and licenses business process management software, was the Fund's top individual contributor. The company benefited from suddenly flush IT budgets, particularly in the financial services space from which it derives more than 50% of its total revenues. Spherion Corporation, a staffing and placement services company, rebounded from highly depressed levels as investors appeared to take a more pragmatic view of employment trends, looking past the current malaise to the potential for improved profitability driven by increased economic activity. Stein Mart, the retailer of value-priced designer and branded apparel and merchandise, saw its stock price improve dramatically as the company began realizing better margins from a powerful operating turnaround that included management changes, improved merchandising and store level supply chain initiatives.

Detractors from the Fund's performance included Quixote Corporation, which manufactures highway and transportation safety products. The recession severely constrained municipal outlays, the primary driver of the company's business. We reduced our position in 2009's first quarter. The first quarter also found us selling our stake in NYMAGIC, a property and casualty insurer with a specialty in ocean marine insurance. While we liked its specialty underwriting franchise and solid reserves, we thought that there were better opportunities elsewhere in the market.

### GOOD IDEAS AT THE TIME Top Detractors from 2009 Performance\*

|                                   |        |
|-----------------------------------|--------|
| Bank of N.T.<br>Butterfield & Son | -0.81% |
| NYMAGIC                           | -0.54  |
| Avatar Holdings                   | -0.51  |
| Integral Systems                  | -0.46  |
| Ash Grove Cement                  | -0.45  |

\*Net of dividends

### MARKET PRICE PERFORMANCE HISTORY SINCE INCEPTION (12/14/93) through 12/31/09

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<sup>1</sup>Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception (\$7.50 IPO), reinvested distributions as indicated and fully participated in the primary subscription of the 1994 rights offering.

<sup>2</sup>Reflects the actual market price of one share as it traded on the NYSE and, prior to 12/1/03, on Nasdaq.

## FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

|                                |               |
|--------------------------------|---------------|
| Average Market Capitalization* | \$286 million |
|--------------------------------|---------------|

|                            |      |
|----------------------------|------|
| Weighted Average P/B Ratio | 1.4x |
|----------------------------|------|

|                       |               |
|-----------------------|---------------|
| Fund Total Net Assets | \$303 million |
|-----------------------|---------------|

|              |     |
|--------------|-----|
| Net Leverage | 11% |
|--------------|-----|

|               |     |
|---------------|-----|
| Turnover Rate | 30% |
|---------------|-----|

|                    |     |
|--------------------|-----|
| Number of Holdings | 334 |
|--------------------|-----|

|              |       |
|--------------|-------|
| Symbol       |       |
| Market Price | RMT   |
| NAV          | XOTCX |

\*Geometrically calculated

Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets, excluding preferred stock.

## CAPITAL STRUCTURE

Publicly Traded Securities Outstanding at 12/31/09  
at NAV or Liquidation Value

|                                     |               |
|-------------------------------------|---------------|
| 27.3 million shares of Common Stock | \$243 million |
|-------------------------------------|---------------|

|                                  |              |
|----------------------------------|--------------|
| 6.00% Cumulative Preferred Stock | \$60 million |
|----------------------------------|--------------|

## DOWN MARKET PERFORMANCE COMPARISON

All Down Periods of 7.5% or Greater  
Over the Last 10 Years, in Percentages(%)



**AVERAGE ANNUAL NAV TOTAL RETURNS**

Through 12/31/09

|                           |       |
|---------------------------|-------|
| Fourth Quarter 2009*      | 7.19% |
| July-December 2009*       | 30.90 |
| One-Year                  | 53.95 |
| Three-Year                | -0.34 |
| Five-Year                 | 5.44  |
| 10-Year                   | 11.72 |
| Since Inception (11/1/96) | 10.82 |

\*Not annualized

Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

**CALENDAR YEAR NAV TOTAL RETURNS**

| Year | FUND  | Year | FUND   |
|------|-------|------|--------|
| 2009 | 54.0% | 2002 | -12.5% |
| 2008 | -42.7 | 2001 | 10.0   |
| 2007 | 12.2  | 2000 | 20.9   |
| 2006 | 16.3  | 1999 | 8.7    |
| 2005 | 13.3  | 1998 | -6.8   |
| 2004 | 29.2  | 1997 | 20.5   |
| 2003 | 54.3  |      |        |

**TOP 10 POSITIONS**

% of Net Assets Applicable to Common Stockholders

|                           |      |
|---------------------------|------|
| Mosaic Company (The)      | 3.0% |
| Kennedy-Wilson Holdings   | 2.9  |
| Reliance Steel & Aluminum | 2.8  |

|                                    |     |
|------------------------------------|-----|
| Unit Corporation                   | 2.7 |
| Nucor Corporation                  | 2.6 |
| Ivanhoe Mines                      | 2.6 |
| Silver Standard Resources          | 2.6 |
| Buckle (The)                       | 2.5 |
| Sanderson Farms                    | 2.4 |
| Major Drilling Group International | 2.3 |

#### PORTFOLIO SECTOR BREAKDOWN

% of Net Assets Applicable to Common Stockholders

|                                  |       |
|----------------------------------|-------|
| Natural Resources                | 30.3% |
| Industrial Products              | 24.4  |
| Financial Services               | 9.6   |
| Consumer Products                | 9.0   |
| Industrial Services              | 7.8   |
| Technology                       | 7.0   |
| Consumer Services                | 3.6   |
| Financial Intermediaries         | 3.0   |
| Diversified Investment Companies | 2.1   |
| Health                           | 1.6   |
| Miscellaneous                    | 0.7   |
| Cash and Cash Equivalents        | 18.6  |

## Royce Focus Trust

### Manager's Discussion

Royce Focus Trust (FUND) rose an eye-catching 54.0% on an NAV (net asset value) basis and 40.8% on a market price basis in 2009, on both scores

**trouncing the 27.2% mark posted by its small-cap benchmark, the Russell 2000, for the same period.** We were pleased to see such strong performance, but it was more than just full participation in the rally that began in March. The bear market was alive and well through much of the first quarter, and during this down period the Fund lost 7.3% on an NAV basis and only 1.7% on a market price basis, while the Russell 2000 fell 15.0%. Stock prices began to pick up before the end of the first quarter. FUND rose 26.9% on an NAV basis and 17.7% on a market price basis during the more bullish second quarter compared to a gain of 20.7% for the small-cap index. (Note: the Fund's market price return may have been dampened somewhat by the suspension of the Fund's quarterly distribution).

FUND was very strong on an NAV basis in the equally bullish third quarter, gaining 22.1% on an NAV basis and 14.0% on a market price basis, thus again beating its small-cap benchmark, the Russell 2000 (+19.3%), on an NAV basis. The fourth quarter was a much more quietly bullish period for the market as a whole, with the pace of the rally slowing considerably. During this period, the Fund continued to show strength, gaining 7.2% (NAV) and 6.7% (market price), in both instances ahead of the Russell 2000's gain of 3.9% for the same period.

FUND posted equally stalwart performance in the rally that began following the market low in early March. From the small-cap trough on March 9, 2009 through December 31, 2009, the Fund gained 95.6% on an NAV basis and 85.6% on a market price basis, beating the 84.5% increase for its small-cap benchmark. These results helped the Fund to rebuild its longer-term, absolute return record in the wake of 2008's severe downturn. (The bear first appeared with the dawn of the current market cycle, which began with the small-cap market peak on July 13, 2007. Please see page 10 for the Fund's recent market cycle results.) We were also very pleased with the Fund's relative results over each of these periods. FUND outpaced the Russell 2000 on an NAV basis for the one-, three-, five-, 10-year and since inception periods of Royce's management (11/1/96) ended December 31, 2009.

(It also beat its benchmark on a market price basis for each of these same periods save the three-year span.) **The Fund's NAV average annual total return since inception was 10.8%.**

Natural Resources led all of the Fund's equity sectors by a wide margin in 2009, though Industrial Products, Consumer Products and Financial Services also posted notable net

| <b>GOOD IDEAS THAT WORKED</b>         |       |
|---------------------------------------|-------|
| Top Contributors to 2009 Performance* |       |
| Ivanhoe Mines                         | 4.66% |
| Reliance Steel & Aluminum             | 3.50  |
| Sims Metal Management ADR             | 2.95  |
| Thor Industries                       | 2.43  |
| Allied Nevada Gold                    | 2.37  |

\*Includes dividends

### **Important Performance and Risk Information**

**All performance information reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the recent month-end may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The market price of the Fund's shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund normally invests primarily in small-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. The sum of all contributions and deductions for all securities would approximate the Fund's performance for 2009.**



## Performance and Portfolio Review

gains. Natural Resources is home to two industries in which we have had a long-term interest – energy services companies and precious metals and mining stocks. The latter was the Fund's top-performing industry group in 2009, contributing more than any of the Fund's other sectors. Our investments in this industry have been based on the idea that precious metals commodity prices would rise over the long run, and the soaring price of gold was one of the big stories in 2009. Our analysis suggests that the prices of many of these stocks have not yet increased proportionally with the rise in their underlining commodity prices. We also think that as equity investors begin to see these companies as earnings and cash flow entities, and not simply as asset plays, this could help to boost share prices. Our patience with top performer – and top-ten holding – Ivanhoe Mines was tested as a supposedly imminent agreement with the Mongolian government to approve the firm's copper mining plans took four years and three governments to sign. We reduced our position in the third quarter as its stock price climbed.

Reliance Steel & Aluminum operates metals service centers throughout the U.S. and across the globe. Inventory destocking ran its course, which, combined with renewed demand for steel, especially from Asia, and unprecedented pricing discipline by steel manufacturers, bolstered investor confidence in the firm's prospects. Another large position in a similar business also enjoyed a good year – global scrap metal recycling business Sims Metal Management. The firm's earnings have yet to regain their pre-recession levels, but scrap metal prices have begun to stabilize in anticipation of a pick-up in global industrial activity from which Sims looks very well-positioned to benefit.

Although we reduced our stake, we still held a small position in Endo Pharmaceuticals Holdings. We remained dissatisfied with its decision to move away from its core pain management products, which were a large part of our initial interest in the company, into new areas. We parted ways with freight transportation business, Arkansas Best, though it was a somewhat reluctant farewell. We simply saw what we regarded as better opportunities elsewhere while still holding the firm's management in high esteem.

### GOOD IDEAS AT THE TIME Top Detractors from 2009 Performance\*

|                               |        |
|-------------------------------|--------|
| Endo Pharmaceuticals Holdings | -1.32% |
| Arkansas Best                 | -0.84  |
| BB Holdings                   | -0.61  |
| Pason Systems                 | -0.52  |
| Woodward Governor             | -0.43  |

\*Net of dividends

### MARKET PRICE PERFORMANCE HISTORY SINCE INCEPTION (11/1/96)<sup>1</sup> through 12/31/09

<sup>1</sup>Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

<sup>2</sup>Reflects the cumulative total return experience of a continuous common stockholder who reinvested all distributions as indicated and fully participated in the primary subscription of the 2005 rights offering.



<sup>3</sup>Reflects the actual market price of one share as it traded on Nasdaq.

## FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

|                                |                 |
|--------------------------------|-----------------|
| Average Market Capitalization* | \$1,938 million |
|--------------------------------|-----------------|

|                            |      |
|----------------------------|------|
| Weighted Average P/B Ratio | 2.1x |
|----------------------------|------|

|                       |               |
|-----------------------|---------------|
| Fund Total Net Assets | \$166 million |
|-----------------------|---------------|

|              |    |
|--------------|----|
| Net Leverage | 0% |
|--------------|----|

|               |     |
|---------------|-----|
| Turnover Rate | 46% |
|---------------|-----|

|                    |    |
|--------------------|----|
| Number of Holdings | 61 |
|--------------------|----|

|              |       |
|--------------|-------|
| Symbol       |       |
| Market Price | FUND  |
| NAV          | XFUNX |

\*Geometrically calculated

Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets, excluding preferred stock.

## CAPITAL STRUCTURE

Publicly Traded Securities Outstanding at 12/31/09 at NAV or Liquidation Value

|                                     |               |
|-------------------------------------|---------------|
| 19.8 million shares of Common Stock | \$141 million |
|-------------------------------------|---------------|

|                                  |              |
|----------------------------------|--------------|
| 6.00% Cumulative Preferred Stock | \$25 million |
|----------------------------------|--------------|

## DOWN MARKET PERFORMANCE COMPARISON

All Down Periods of 7.5% or Greater, in Percentages(%)

## History Since Inception

The following table details the share accumulations by an initial investor in the Funds who reinvested all distributions (including fractional shares) and participated fully in primary subscriptions for each of the rights offerings. Full participation in distribution reinvestments and rights offerings can maximize the returns available to a long-term investor. This table should be read in conjunction with the Performance and Portfolio Reviews of the Funds.

| History                      |                                  | Amount Invested  | Purchase Price <sup>1</sup> | Shares        | NAV Value <sup>2</sup> | Market Value <sup>2</sup> |
|------------------------------|----------------------------------|------------------|-----------------------------|---------------|------------------------|---------------------------|
| <b>Royce Value Trust</b>     |                                  |                  |                             |               |                        |                           |
| 11/26/86                     | Initial Purchase                 | \$ 10,000        | \$ 10.000                   | 1,000         | \$ 9,280               | \$ 10,000                 |
| 10/15/87                     | Distribution \$0.30              |                  | 7.000                       | 42            |                        |                           |
| 12/31/87                     | Distribution \$0.22              |                  | 7.125                       | 32            | 8,578                  | 7,250                     |
| 12/27/88                     | Distribution \$0.51              |                  | 8.625                       | 63            | 10,529                 | 9,238                     |
| 9/22/89                      | Rights Offering                  | 405              | 9.000                       | 45            |                        |                           |
| 12/29/89                     | Distribution \$0.52              |                  | 9.125                       | 67            | 12,942                 | 11,866                    |
| 9/24/90                      | Rights Offering                  | 457              | 7.375                       | 62            |                        |                           |
| 12/31/90                     | Distribution \$0.32              |                  | 8.000                       | 52            | 11,713                 | 11,074                    |
| 9/23/91                      | Rights Offering                  | 638              | 9.375                       | 68            |                        |                           |
| 12/31/91                     | Distribution \$0.61              |                  | 10.625                      | 82            | 17,919                 | 15,697                    |
| 9/25/92                      | Rights Offering                  | 825              | 11.000                      | 75            |                        |                           |
| 12/31/92                     | Distribution \$0.90              |                  | 12.500                      | 114           | 21,999                 | 20,874                    |
| 9/27/93                      | Rights Offering                  | 1,469            | 13.000                      | 113           |                        |                           |
| 12/31/93                     | Distribution \$1.15              |                  | 13.000                      | 160           | 26,603                 | 25,428                    |
| 10/28/94                     | Rights Offering                  | 1,103            | 11.250                      | 98            |                        |                           |
| 12/19/94                     | Distribution \$1.05              |                  | 11.375                      | 191           | 27,939                 | 24,905                    |
| 11/3/95                      | Rights Offering                  | 1,425            | 12.500                      | 114           |                        |                           |
| 12/7/95                      | Distribution \$1.29              |                  | 12.125                      | 253           | 35,676                 | 31,243                    |
| 12/6/96                      | Distribution \$1.15              |                  | 12.250                      | 247           | 41,213                 | 36,335                    |
| 1997                         | Annual distribution total \$1.21 |                  | 15.374                      | 230           | 52,556                 | 46,814                    |
| 1998                         | Annual distribution total \$1.54 |                  | 14.311                      | 347           | 54,313                 | 47,506                    |
| 1999                         | Annual distribution total \$1.37 |                  | 12.616                      | 391           | 60,653                 | 50,239                    |
| 2000                         | Annual distribution total \$1.48 |                  | 13.972                      | 424           | 70,711                 | 61,648                    |
| 2001                         | Annual distribution total \$1.49 |                  | 15.072                      | 437           | 81,478                 | 73,994                    |
| 2002                         | Annual distribution total \$1.51 |                  | 14.903                      | 494           | 68,770                 | 68,927                    |
| 1/28/03                      | Rights Offering                  | 5,600            | 10.770                      | 520           |                        |                           |
| 2003                         | Annual distribution total \$1.30 |                  | 14.582                      | 516           | 106,216                | 107,339                   |
| 2004                         | Annual distribution total \$1.55 |                  | 17.604                      | 568           | 128,955                | 139,094                   |
| 2005                         | Annual distribution total \$1.61 |                  | 18.739                      | 604           | 139,808                | 148,773                   |
| 2006                         | Annual distribution total \$1.78 |                  | 19.696                      | 693           | 167,063                | 179,945                   |
| 2007                         | Annual distribution total \$1.85 |                  | 19.687                      | 787           | 175,469                | 165,158                   |
| 2008                         | Annual distribution total \$1.72 |                  | 12.307                      | 1,294         | 95,415                 | 85,435                    |
| 3/11/09                      | Distribution \$0.32 <sup>3</sup> |                  | 6.071                       | 537           |                        |                           |
| <b>12/31/09</b>              |                                  | <b>\$ 21,922</b> |                             | <b>10,720</b> | <b>\$137,966</b>       | <b>\$115,669</b>          |
| <b>Royce Micro-Cap Trust</b> |                                  |                  |                             |               |                        |                           |
| 12/14/93                     | Initial Purchase                 | \$ 7,500         | \$ 7.500                    | 1,000         | \$ 7,250               | \$ 7,500                  |
| 10/28/94                     | Rights Offering                  | 1,400            | 7.000                       | 200           |                        |                           |
| 12/19/94                     | Distribution \$0.05              |                  | 6.750                       | 9             | 9,163                  | 8,462                     |
| 12/7/95                      | Distribution \$0.36              |                  | 7.500                       | 58            | 11,264                 | 10,136                    |
| 12/6/96                      | Distribution \$0.80              |                  | 7.625                       | 133           | 13,132                 | 11,550                    |
| 12/5/97                      | Distribution \$1.00              |                  | 10.000                      | 140           | 16,694                 | 15,593                    |
| 12/7/98                      | Distribution \$0.29              |                  | 8.625                       | 52            | 16,016                 | 14,129                    |
| 12/6/99                      | Distribution \$0.27              |                  | 8.781                       | 49            | 18,051                 | 14,769                    |
| 12/6/00                      | Distribution \$1.72              |                  | 8.469                       | 333           | 20,016                 | 17,026                    |
| 12/6/01                      | Distribution \$0.57              |                  | 9.880                       | 114           | 24,701                 | 21,924                    |
| 2002                         | Annual distribution total \$0.80 |                  | 9.518                       | 180           | 21,297                 | 19,142                    |
| 2003                         | Annual distribution total \$0.92 |                  | 10.004                      | 217           | 33,125                 | 31,311                    |
| 2004                         | Annual distribution total \$1.33 |                  | 13.350                      | 257           | 39,320                 | 41,788                    |

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|                          |                                  |                 |          |              |                  |                  |
|--------------------------|----------------------------------|-----------------|----------|--------------|------------------|------------------|
| 2005                     | Annual distribution total \$1.85 |                 | 13.848   | 383          | 41,969           | 45,500           |
| 2006                     | Annual distribution total \$1.55 |                 | 14.246   | 354          | 51,385           | 57,647           |
| 2007                     | Annual distribution total \$1.35 |                 | 13.584   | 357          | 51,709           | 45,802           |
| 2008                     | Annual distribution total \$1.19 |                 | 8.237    | 578          | 28,205           | 24,807           |
| 3/11/09                  | Distribution \$0.22 <sup>3</sup> |                 | 4.260    | 228          |                  |                  |
| <b>12/31/09</b>          |                                  | <b>\$ 8,900</b> |          | <b>4,642</b> | <b>\$ 41,314</b> | <b>\$ 34,212</b> |
| <b>Royce Focus Trust</b> |                                  |                 |          |              |                  |                  |
| 10/31/96                 | Initial Purchase                 | \$ 4,375        | \$ 4.375 | 1,000        | \$ 5,280         | \$ 4,375         |
| 12/31/96                 |                                  |                 |          |              | 5,520            | 4,594            |
| 12/5/97                  | Distribution \$0.53              |                 | 5.250    | 101          | 6,650            | 5,574            |
| 12/31/98                 |                                  |                 |          |              | 6,199            | 5,367            |
| 12/6/99                  | Distribution \$0.145             |                 | 4.750    | 34           | 6,742            | 5,356            |
| 12/6/00                  | Distribution \$0.34              |                 | 5.563    | 69           | 8,151            | 6,848            |
| 12/6/01                  | Distribution \$0.14              |                 | 6.010    | 28           | 8,969            | 8,193            |
| 12/6/02                  | Distribution \$0.09              |                 | 5.640    | 19           | 7,844            | 6,956            |
| 12/8/03                  | Distribution \$0.62              |                 | 8.250    | 94           | 12,105           | 11,406           |
| 2004                     | Annual distribution total \$1.74 |                 | 9.325    | 259          | 15,639           | 16,794           |
| 5/6/05                   | Rights offering                  | 2,669           | 8.340    | 320          |                  |                  |
| 2005                     | Annual distribution total \$1.21 |                 | 9.470    | 249          | 21,208           | 20,709           |
| 2006                     | Annual distribution total \$1.57 |                 | 9.860    | 357          | 24,668           | 27,020           |
| 2007                     | Annual distribution total \$2.01 |                 | 9.159    | 573          | 27,679           | 27,834           |
| 2008                     | Annual distribution total \$0.47 |                 | 6.535    | 228          | 15,856           | 15,323           |
| 3/11/09                  | Distribution \$0.09 <sup>3</sup> |                 | 3.830    | 78           |                  |                  |
| <b>12/31/09</b>          |                                  | <b>\$ 7,044</b> |          | <b>3,409</b> | <b>\$ 24,408</b> | <b>\$ 21,579</b> |

<sup>1</sup> Beginning with the 1997 (RVT), 2002 (RMT) and 2004 (FUND) distributions through 2008, the purchase price of distributions is a weighted average of the distribution reinvestment prices for the year.

<sup>2</sup> Other than for initial purchase, values are stated as of December 31 of the year indicated, after reinvestment of distributions.

<sup>3</sup> Includes a return of capital.

## Distribution Reinvestment and Cash Purchase Options

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### **Why did the Funds suspend their managed distribution policies for common stockholders?**

The Boards of Directors suspended the Funds' quarterly distribution policies because of the potentially adverse tax consequences that could occur if the policies were to continue. In certain circumstances, returns of capital could be taxable for federal income tax purposes, and all or a portion of the Funds' capital loss carryforwards from prior years could effectively be forfeited. The Funds intend the suspension to continue until such time as they can again regularly distribute net realized gains, which should occur after they have utilized their capital loss carryforwards. Until such time, the Funds will distribute any net investment income on an annual basis in December.

### **Why should I reinvest my distributions?**

By reinvesting distributions, a stockholder can maintain an undiluted investment in the Fund. The regular reinvestment of distributions has a significant impact on stockholder returns. In contrast, the stockholder who takes distributions in cash is penalized when shares are issued below net asset value to other stockholders.

### **How does the reinvestment of distributions from the Royce closed-end funds work?**

The Funds automatically issue shares in payment of distributions unless you indicate otherwise. The shares are generally issued at the lower of the market price or net asset value on the valuation date.

### **How does this apply to registered stockholders?**

If your shares are registered directly with a Fund, your distributions are automatically reinvested unless you have otherwise instructed the Funds' transfer agent, Computershare, in writing. A registered stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if Computershare is properly notified.

### **What if my shares are held by a brokerage firm or a bank?**

If your shares are held by a brokerage firm, bank, or other intermediary as the stockholder of record, you should contact your brokerage firm or bank to be certain that it is automatically reinvesting distributions on your behalf. If they are unable to reinvest distributions on your behalf, you should have your shares registered in your name in order to participate.

### **What other features are available for registered stockholders?**

The Distribution Reinvestment and Cash Purchase Plans also allow registered stockholders to make optional cash purchases of shares of a Fund's common stock directly through Computershare on a monthly basis, and to deposit certificates representing your Fund shares with Computershare for safekeeping. The Funds' investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2010.

### **How do the Plans work for registered stockholders?**

Computershare maintains the accounts for registered stockholders in the Plans and sends written confirmation of all transactions in the account. Shares in the account of each participant will be held by Computershare in non-certificated form in the name of the

participant, and each participant will be able to vote those shares at a stockholder meeting or by proxy. A participant may also send other stock certificates held by them to Computershare to be held in non-certificated form. There is no service fee charged to participants for reinvesting distributions. If a participant elects to sell shares from a Plan account, Computershare will deduct a \$2.50 fee plus brokerage commissions from the sale transaction. If a nominee is the registered owner of your shares, the nominee will maintain the accounts on your behalf.

**How can I get more information on the Plans?**

You can call an Investor Services Representative at (800) 221-4268 or you can request a copy of the Plan for your Fund from Computershare. All correspondence (including notifications) should be directed to: [Name of Fund] Distribution Reinvestment and Cash Purchase Plan, c/o Computershare, PO Box 43010, Providence, RI 02940-3010, telephone (800) 426-5523.

## Royce Value Trust

### Schedule of Investments

|                                                      | SHARES  | VALUE      |
|------------------------------------------------------|---------|------------|
| <b>COMMON STOCKS 117.3%</b>                          |         |            |
| <b>Consumer Products 7.2%</b>                        |         |            |
| Apparel, Shoes and Accessories -<br>1.8%             |         |            |
| Anta Sports Products                                 | 138,000 | \$ 204,576 |
| Burberry Group                                       | 180,000 | 1,725,780  |
| Columbia Sportswear                                  | 54,100  | 2,112,064  |
| Daphne International Holdings                        | 308,800 | 247,871    |
| Hengdeli Holdings                                    | 282,500 | 106,918    |
| K-Swiss Cl. A <sup>a</sup>                           | 163,600 | 1,626,184  |
| Lazare Kaplan International <sup>a,b</sup>           | 95,437  | 190,874    |
| Stella International Holdings                        | 266,300 | 482,794    |
| Timberland Company (The) Cl. A <sup>a</sup>          | 17,500  | 313,775    |
| Van De Velde                                         | 28,000  | 1,179,531  |
| Volcom <sup>a,c</sup>                                | 71,300  | 1,193,562  |
| Warnaco Group (The) <sup>a</sup>                     | 28,500  | 1,202,415  |
| Weyco Group                                          | 97,992  | 2,316,531  |
| Wolverine World Wide                                 | 100,000 | 2,722,000  |
| Yue Yuen Industrial Holdings                         | 17,000  | 49,316     |
|                                                      |         | 15,674,191 |
| <b>Collectibles - 0.0%</b>                           |         |            |
| Kid Brands <sup>a</sup>                              | 96,600  | 423,108    |
|                                                      |         | 423,108    |
| <b>Consumer Electronics - 0.6%</b>                   |         |            |
| Dolby Laboratories Cl. A <sup>a</sup>                | 56,200  | 2,682,426  |
| DTS <sup>a,c</sup>                                   | 64,100  | 2,192,861  |
|                                                      |         | 4,875,287  |
| <b>Food/Beverage/Tobacco - 1.0%</b>                  |         |            |
| Asian Citrus Holdings                                | 292,000 | 236,303    |
| B&G Foods Cl. A                                      | 23,000  | 211,140    |
| Cal-Maine Foods                                      | 89,300  | 3,043,344  |
| Hershey Creamery                                     | 709     | 1,187,575  |
| HQ Sustainable Maritime Industries<br><sup>a,c</sup> | 28,200  | 198,528    |
| Seneca Foods Cl. A <sup>a</sup>                      | 80,000  | 1,909,600  |
| Seneca Foods Cl. B <sup>a</sup>                      | 13,251  | 320,277    |
| Tootsie Roll Industries                              | 52,000  | 1,423,760  |
|                                                      |         | 8,530,527  |
| <b>Home Furnishing and Appliances -<br/>2.2%</b>     |         |            |
| American Woodmark                                    | 123,335 | 2,427,233  |
| Ekornes                                              | 105,000 | 2,175,392  |
| Ethan Allen Interiors                                | 360,800 | 4,841,936  |

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|                                      |         |            |
|--------------------------------------|---------|------------|
| Hunter Douglas                       | 36,000  | 1,756,366  |
| Kimball International Cl. B          | 286,180 | 2,438,254  |
| Mohawk Industries <sup>a,c</sup>     | 102,200 | 4,864,720  |
| Samson Holding                       | 500,000 | 78,979     |
| Universal Electronics <sup>a,c</sup> | 10,000  | 232,200    |
|                                      |         | <hr/>      |
|                                      |         | 18,815,080 |

Sports and Recreation - 1.4%

|                                    |         |            |
|------------------------------------|---------|------------|
| Beneteau                           | 45,000  | 683,003    |
| Coachmen Industries <sup>a,c</sup> | 47,700  | 54,855     |
| RC2 Corporation <sup>a</sup>       | 132,600 | 1,955,850  |
| Sturm, Ruger & Company             | 245,600 | 2,382,320  |
| Thor Industries                    | 110,900 | 3,482,260  |
| Winnebago Industries <sup>a</sup>  | 247,500 | 3,019,500  |
|                                    |         | <hr/>      |
|                                    |         | 11,577,788 |

|                                               | SHARES    | VALUE        |
|-----------------------------------------------|-----------|--------------|
| <b>Consumer Products (continued)</b>          |           |              |
| Other Consumer Products - 0.2%                |           |              |
| Societe BIC                                   | 20,000    | \$ 1,384,239 |
|                                               |           | <hr/>        |
| <b>Total</b> (Cost \$53,936,701)              |           | 61,280,220   |
|                                               |           | <hr/>        |
| <b>Consumer Services 3.3%</b>                 |           |              |
| Direct Marketing - 0.3%                       |           |              |
| Manutan International                         | 25,000    | 1,433,032    |
| Takkt                                         | 90,000    | 923,326      |
|                                               |           | <hr/>        |
|                                               |           | 2,356,358    |
|                                               |           | <hr/>        |
| Media and Broadcasting - 0.2%                 |           |              |
| Discovery Communications Cl. B <sup>a,c</sup> | 4,300     | 131,279      |
| Scripps Networks Interactive Cl. A            | 32,000    | 1,328,000    |
|                                               |           | <hr/>        |
|                                               |           | 1,459,279    |
|                                               |           | <hr/>        |
| Restaurants and Lodgings - 0.5%               |           |              |
| Ajisen China Holdings                         | 1,806,200 | 1,539,617    |
| Benihana <sup>a,c</sup>                       | 3,300     | 13,860       |
| Cafe de Coral Holdings                        | 66,000    | 150,578      |
| CEC Entertainment <sup>a</sup>                | 64,100    | 2,046,072    |
| Tim Hortons                                   | 20,000    | 610,200      |
|                                               |           | <hr/>        |
|                                               |           | 4,360,327    |
|                                               |           | <hr/>        |
| Retail Stores - 2.3%                          |           |              |
| Bed Bath & Beyond <sup>a,c</sup>              | 7,500     | 289,725      |
| CarMax <sup>a</sup>                           | 160,000   | 3,880,000    |
| Charming Shoppes <sup>a</sup>                 | 321,900   | 2,082,693    |
| China Nepstar Chain Drugstore<br>ADR          | 7,600     | 55,404       |
| Dollar Tree <sup>a</sup>                      | 8,600     | 415,380      |
| Dress Barn (The) <sup>a</sup>                 | 193,280   | 4,464,768    |
| GameStop Corporation Cl. A <sup>a</sup>       | 5,500     | 120,670      |
| Lewis Group                                   | 225,000   | 1,609,812    |

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|                                              |         |            |
|----------------------------------------------|---------|------------|
| Stein Mart <sup>a</sup>                      | 182,800 | 1,948,648  |
| Tiffany & Co.                                | 90,200  | 3,878,600  |
| West Marine <sup>a</sup>                     | 131,100 | 1,056,666  |
|                                              |         | <hr/>      |
|                                              |         | 19,802,366 |
|                                              |         | <hr/>      |
| <b>Total</b> (Cost \$21,508,555)             |         | 27,978,330 |
|                                              |         | <hr/>      |
| <b>Diversified Investment Companies 0.3%</b> |         |            |
| <b>Closed-End Funds - 0.3%</b>               |         |            |
| Central Fund of Canada Cl. A                 | 211,500 | 2,914,470  |
|                                              |         | <hr/>      |
| <b>Total</b> (Cost \$1,694,963)              |         | 2,914,470  |
|                                              |         | <hr/>      |
| <b>Financial Intermediaries 12.4%</b>        |         |            |
| <b>Banking - 3.1%</b>                        |         |            |
| Ameriana Bancorp                             | 40,000  | 106,400    |
| Banca Finnat Euramerica                      | 720,000 | 615,348    |
| Banca Generali                               | 86,000  | 1,041,708  |
| Bank of N.T. Butterfield & Son               | 464,886 | 1,813,055  |
| Bank Sarasin & Cie Cl. B                     | 33,120  | 1,251,687  |
| Banque Privee Edmond de Rothschild           | 23      | 573,899    |
| BCB Holdings <sup>a</sup>                    | 598,676 | 933,138    |
| Cadence Financial <sup>c</sup>               | 40,300  | 70,525     |
| Center Bancorp                               | 44,868  | 400,222    |
| Centrue Financial                            | 82,200  | 219,474    |
| CFS Bancorp                                  | 75,000  | 242,250    |
| Chuo Mitsui Trust Holdings                   | 118,000 | 393,831    |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**



December 31, 2009

|                                                | SHARES  | VALUE      |
|------------------------------------------------|---------|------------|
| <b>Financial Intermediaries</b>                |         |            |
| <b>(continued)</b>                             |         |            |
| <b>Banking (continued)</b>                     |         |            |
| CNB Financial                                  | 11,116  | \$ 177,745 |
| Commercial National Financial                  | 54,900  | 951,417    |
| Farmers & Merchants Bank of Long Beach         | 1,200   | 4,554,000  |
| Fauquier Bankshares                            | 160,800 | 1,993,920  |
| Hawthorn Bancshares                            | 46,176  | 440,519    |
| HopFed Bancorp                                 | 104,500 | 992,750    |
| Jefferson Bancshares                           | 32,226  | 144,695    |
| Kearny Financial                               | 50,862  | 512,689    |
| Mauritius Commercial Bank                      | 40,000  | 184,514    |
| Mechanics Bank                                 | 200     | 2,200,000  |
| Old Point Financial                            | 25,000  | 388,750    |
| Peapack-Gladstone Financial                    | 10,500  | 133,140    |
| State Bank of Mauritius                        | 46,000  | 121,252    |
| Timberland Bancorp <sup>d</sup>                | 469,200 | 2,083,248  |
| Vontobel Holding                               | 20,400  | 582,658    |
| Whitney Holding Corporation                    | 41,500  | 378,065    |
| Wilber Corporation (The)                       | 113,743 | 818,950    |
| Wilmington Trust                               | 143,500 | 1,770,790  |
|                                                |         | 26,090,639 |
| <b>Insurance - 6.1%</b>                        |         |            |
| <b>Alleghany Corporation <sup>a</sup></b>      | 28,096  | 7,754,496  |
| Argo Group International Holdings <sup>a</sup> | 64,751  | 1,886,844  |
| Aspen Insurance Holdings                       | 47,000  | 1,196,150  |
| CNA Surety <sup>a</sup>                        | 100,600 | 1,497,934  |
| Discovery Holdings                             | 386,000 | 1,668,895  |
| E-L Financial                                  | 7,400   | 3,184,084  |
| Enstar Group <sup>a</sup>                      | 20,217  | 1,476,245  |
| Erie Indemnity Cl. A                           | 131,800 | 5,142,836  |
| First American                                 | 20,000  | 662,200    |
| Hilltop Holdings <sup>a</sup>                  | 330,400 | 3,845,856  |
| Independence Holding                           | 317,658 | 1,842,416  |
| Leucadia National <sup>a</sup>                 | 44,940  | 1,069,123  |
| Markel Corporation <sup>a</sup>                | 6,200   | 2,108,000  |
| Montpelier Re Holdings                         | 62,000  | 1,073,840  |
| NYMAGIC                                        | 202,200 | 3,354,498  |
| Old Republic International                     | 20,000  | 200,800    |
| ProAssurance Corporation <sup>a</sup>          | 62,000  | 3,330,020  |
| RLI                                            | 90,724  | 4,831,053  |
| Validus Holdings                               | 49,808  | 1,341,828  |
| Zenith National Insurance                      | 135,100 | 4,020,576  |
|                                                |         | 51,487,694 |

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Real Estate Investment Trusts -

0.0%

|                      |        |         |
|----------------------|--------|---------|
| Gladstone Commercial | 30,000 | 402,300 |
|----------------------|--------|---------|

Securities Brokers - 2.8%

Broadpoint Gleacher Securities

|                                                  |         |           |
|--------------------------------------------------|---------|-----------|
| Group <sup>a,c</sup> <sub>--</sub>               | 293,000 | 1,306,780 |
| Close Brothers Group                             | 43,000  | 475,601   |
| Cowen Group Cl. A <sup>a,c</sup> <sub>--</sub>   | 482,220 | 2,854,742 |
| Daewoo Securities                                | 5,000   | 84,077    |
| DundeeWealth                                     | 33,300  | 439,394   |
| Egyptian Financial Group-Hermes Holding          | 451,500 | 2,047,243 |
| FBR Capital Markets <sup>a,c</sup> <sub>--</sub> | 125,800 | 777,444   |
| HQ                                               | 40,000  | 661,310   |

|                                                              | SHARES  | VALUE        |
|--------------------------------------------------------------|---------|--------------|
| <b>Financial Intermediaries (continued)</b>                  |         |              |
| <b>Securities Brokers (continued)</b>                        |         |              |
| Interactive Brokers Group Cl. A <sup>a,c</sup> <sub>--</sub> | 100,000 | \$ 1,772,000 |
| Investcorp Bank GDR <sup>a</sup> <sub>--</sub>               | 27,000  | 81,270       |
| KBW <sup>a,c</sup> <sub>--</sub>                             | 70,058  | 1,916,787    |
| Kim Eng Holdings                                             | 240,000 | 343,291      |
| Lazard Cl. A                                                 | 109,300 | 4,150,121    |
| Mirae Asset Securities                                       | 38,850  | 2,158,570    |
| Mizuho Securities                                            | 492,300 | 1,473,539    |
| Oppenheimer Holdings Cl. A                                   | 75,000  | 2,491,500    |
| Phatra Securities                                            | 775,000 | 392,145      |
| Schwab (Charles)                                             | 10,000  | 188,200      |
| UOB-Kay Hian Holdings                                        | 190,000 | 203,427      |
| Woori Investment & Securities                                | 11,000  | 156,158      |
|                                                              |         | <hr/>        |
|                                                              |         | 23,973,599   |
|                                                              |         | <hr/>        |
| <b>Securities Exchanges - 0.0%</b>                           |         |              |
| Singapore Exchange                                           | 19,200  | 113,179      |
|                                                              |         | <hr/>        |
| <b>Other Financial Intermediaries - 0.4%</b>                 |         |              |
| KKR & Company (Guernsey) L.P. <sup>a</sup> <sub>--</sub>     | 105,000 | 884,606      |
| KKR Financial Holdings                                       | 481,404 | 2,792,143    |
|                                                              |         | <hr/>        |
|                                                              |         | 3,676,749    |
|                                                              |         | <hr/>        |
| <b>Total</b> (Cost \$128,913,262)                            |         | 105,744,160  |
|                                                              |         | <hr/>        |
| <b>Financial Services 12.9%</b>                              |         |              |
| <b>Diversified Financial Services - 1.0%</b>                 |         |              |
| Encore Capital Group <sup>a</sup> <sub>--</sub>              | 88,000  | 1,531,200    |
| Franco-Nevada Corporation                                    | 10,000  | 268,681      |
| Ocwen Financial <sup>a,c</sup> <sub>--</sub>                 | 123,600 | 1,182,852    |
| World Acceptance <sup>a,c</sup> <sub>--</sub>                | 158,700 | 5,686,221    |
|                                                              |         | <hr/>        |
|                                                              |         | 8,668,954    |
|                                                              |         | <hr/>        |
| <b>Information and Processing - 2.0%</b>                     |         |              |

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|                                             |         |            |
|---------------------------------------------|---------|------------|
| Broadridge Financial Solutions              | 35,000  | 789,600    |
| Interactive Data                            | 112,300 | 2,841,190  |
| MoneyGram International <sup>a,c</sup>      | 498,600 | 1,435,968  |
| Morningstar <sup>a,c</sup>                  | 109,800 | 5,307,732  |
| MSCI Cl. A <sup>a</sup>                     | 30,000  | 954,000    |
| SEI Investments                             | 318,300 | 5,576,616  |
|                                             |         | <hr/>      |
|                                             |         | 16,905,106 |
|                                             |         | <hr/>      |
| <b>Insurance Brokers - 0.8%</b>             |         |            |
| Brown & Brown                               | 224,900 | 4,041,453  |
| Crawford & Company Cl. B <sup>a,c</sup>     | 1,160   | 4,570      |
| Gallagher (Arthur J.) & Co.                 | 111,200 | 2,503,112  |
|                                             |         | <hr/>      |
|                                             |         | 6,549,135  |
|                                             |         | <hr/>      |
| <b>Investment Management - 8.0%</b>         |         |            |
| A.F.P. Provida ADR                          | 22,100  | 1,002,235  |
| ABG Sundal Collier Holding                  | 115,000 | 158,303    |
| Affiliated Managers Group <sup>a</sup>      | 42,800  | 2,882,580  |
| <b>AllianceBernstein Holding L.P.</b>       | 263,600 | 7,407,160  |
| Altisource Portfolio Solutions <sup>a</sup> | 41,199  | 864,767    |
| AP Alternative Assets L.P. <sup>a</sup>     | 233,200 | 1,529,688  |
| Artio Global Investors Cl. A <sup>a</sup>   | 150,000 | 3,823,500  |
| Ashmore Group                               | 187,938 | 816,988    |
| Azimut Holding                              | 76,700  | 1,023,860  |
| BKF Capital Group <sup>a</sup>              | 130,000 | 120,900    |
| BT Investment Management                    | 207,000 | 565,785    |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders |

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## Royce Value Trust

### Schedule of Investments

|                                                       | SHARES    | VALUE      |
|-------------------------------------------------------|-----------|------------|
| <b>Financial Services (continued)</b>                 |           |            |
| <b>Investment Management (continued)</b>              |           |            |
| Coronation Fund Managers                              | 526,000   | \$ 623,840 |
| Deutsche Beteiligungs                                 | 52,800    | 1,293,743  |
| Eaton Vance                                           | 125,300   | 3,810,373  |
| Endeavour Financial <sup>c</sup>                      | 150,000   | 253,860    |
| Equity Trustees                                       | 33,202    | 538,405    |
| Evercore Partners Cl. A                               | 144,100   | 4,380,640  |
| F&C Asset Management                                  | 60,000    | 72,998     |
| Federated Investors Cl. B                             | 204,700   | 5,629,250  |
| Fiducian Portfolio Services                           | 227,000   | 306,544    |
| GAMCO Investors Cl. A                                 | 110,575   | 5,339,667  |
| GIMV                                                  | 30,000    | 1,569,503  |
| GP Investments BDR <sup>a</sup>                       | 15,000    | 87,239     |
| Investec                                              | 118,000   | 808,902    |
| MVC Capital                                           | 424,200   | 5,005,560  |
| MyState                                               | 152,000   | 361,568    |
| Onex Corporation                                      | 50,000    | 1,128,269  |
| Partners Group Holding                                | 20,000    | 2,518,984  |
| Perpetual                                             | 12,700    | 419,145    |
| Platinum Asset Management                             | 149,000   | 735,937    |
| Rathbone Brothers                                     | 35,400    | 453,372    |
| RHJ International <sup>a</sup>                        | 102,500   | 783,134    |
| Schroders                                             | 41,100    | 877,301    |
| SHUAA Capital <sup>a</sup>                            | 485,000   | 194,389    |
| SPARX Group <sup>a</sup>                              | 1,320     | 155,186    |
| Sprott                                                | 269,600   | 1,160,013  |
| Teton Advisors Cl. A                                  | 1,867     | 23,337     |
| Treasury Group                                        | 51,500    | 246,377    |
| Trust Company                                         | 97,283    | 565,245    |
| Value Partners Group <sup>a</sup>                     | 7,173,600 | 3,649,732  |
| VZ Holding                                            | 8,500     | 646,916    |
| Waddell & Reed Financial Cl. A                        | 139,300   | 4,254,222  |
|                                                       |           | 68,089,417 |
| <b>Special Purpose Acquisition Corporation - 0.1%</b> |           |            |
| Liberty Acquisition Holdings <sup>a,c</sup>           | 66,455    | 642,620    |
| Sapphire Industrials <sup>a</sup>                     | 55,600    | 558,224    |
|                                                       |           | 1,200,844  |
| <b>Specialty Finance - 0.7%</b>                       |           |            |
| Credit Acceptance <sup>a,c</sup>                      | 134,601   | 5,666,702  |
| <b>Other Financial Services - 0.3%</b>                |           |            |
| E-House China Holdings ADR <sup>a,c</sup>             | 71,000    | 1,286,520  |
| Kennedy-Wilson Holdings <sup>a</sup>                  | 150,000   | 1,342,500  |
|                                                       |           | 2,629,020  |

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|                                   |             |
|-----------------------------------|-------------|
| <b>Total</b> (Cost \$106,730,070) | 109,709,178 |
|-----------------------------------|-------------|

**Health 7.7%**

Commercial Services - 0.8%

|                                      |         |                       |
|--------------------------------------|---------|-----------------------|
| Affymetrix <sup>a</sup>              | 10,000  | 58,400                |
| Chindex International <sup>a,c</sup> | 13,700  | 193,581               |
| OdontoPrev                           | 50,000  | 1,830,274             |
| PAREXEL International <sup>a</sup>   | 332,400 | 4,686,840             |
|                                      |         | <hr/> 6,769,095 <hr/> |

Drugs and Biotech - 1.5%

|                                                 |        |        |
|-------------------------------------------------|--------|--------|
| American Oriental Bioengineering <sup>a,c</sup> | 15,700 | 73,005 |
|-------------------------------------------------|--------|--------|

**Health (continued)**

Drugs and Biotech (continued)

|                                                 | SHARES    | VALUE                  |
|-------------------------------------------------|-----------|------------------------|
| Biogen Idec <sup>a</sup>                        | 3,500     | \$ 187,250             |
| Boiron                                          | 45,000    | 1,918,486              |
| China Nuokang                                   |           |                        |
| Bio-Pharmaceutical ADR <sup>a,c</sup>           | 26,000    | 204,100                |
| China Shineway Pharmaceutical Group             | 377,000   | 701,826                |
| Endo Pharmaceuticals Holdings <sup>a</sup>      | 158,300   | 3,246,733              |
| Luminex Corporation <sup>a,c</sup>              | 20,000    | 298,600                |
| Pharmacyclics <sup>a</sup>                      | 378,746   | 1,189,262              |
| Sincere Pharmaceutical Group ADR <sup>a,c</sup> | 60,300    | 557,172                |
| Sino Biopharmaceutical                          | 4,061,000 | 1,288,651              |
| Sinovac Biotech <sup>a,c</sup>                  | 83,100    | 526,023                |
| Sunesis Pharmaceuticals <sup>a,c</sup>          | 211,500   | 226,305                |
| 3SBio ADR <sup>a</sup>                          | 53,275    | 729,335                |
| Virbac                                          | 16,000    | 1,666,552              |
| Warner Chilcott Cl. A <sup>a,c</sup>            | 11,300    | 321,711                |
| WuXi PharmaTech Cayman ADR <sup>a</sup>         | 3,110     | 49,635                 |
|                                                 |           | <hr/> 13,184,646 <hr/> |

Health Services - 2.1%

|                                        |         |                        |
|----------------------------------------|---------|------------------------|
| Advisory Board (The) <sup>a</sup>      | 120,000 | 3,679,200              |
| Albany Molecular Research <sup>a</sup> | 85,000  | 771,800                |
| Bangkok Chain Hospital                 | 385,000 | 65,733                 |
| Chem Rx <sup>a</sup>                   | 280,000 | 89,600                 |
| Chem Rx (Warrants) <sup>a,b</sup>      | 560,000 | 0                      |
| Cross Country Healthcare <sup>a</sup>  | 30,000  | 297,300                |
| eResearch Technology <sup>a</sup>      | 117,624 | 706,920                |
| Health Net <sup>a,c</sup>              | 9,000   | 209,610                |
| HMS Holdings <sup>a</sup>              | 50,000  | 2,434,500              |
| ICON ADR <sup>a,c</sup>                | 101,400 | 2,203,422              |
| On Assignment <sup>a</sup>             | 375,400 | 2,684,110              |
| Pharmaceutical Product Development     | 100,000 | 2,344,000              |
| Res-Care <sup>a</sup>                  | 90,460  | 1,013,152              |
| VCA Antech <sup>a</sup>                | 39,000  | 971,880                |
| WellCare Health Plans <sup>a</sup>     | 5,000   | 183,800                |
|                                        |         | <hr/> 17,655,027 <hr/> |

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Medical Products and Devices -

3.3%

|                                         |         |           |
|-----------------------------------------|---------|-----------|
| Allied Healthcare Products <sup>a</sup> | 180,512 | 967,544   |
| Atrion Corporation                      | 15,750  | 2,452,590 |
| Carl Zeiss Meditec                      | 125,000 | 2,229,621 |
| CONMED Corporation <sup>a</sup>         | 81,500  | 1,858,200 |
| Edwards Lifesciences <sup>a</sup>       | 3,500   | 303,975   |
| Fielmann                                | 25,000  | 1,840,594 |
| IDEXX Laboratories <sup>a,c</sup>       | 103,100 | 5,509,664 |
| Immucor <sup>a</sup>                    | 20,300  | 410,872   |
| Kinetic Concepts <sup>a</sup>           | 6,600   | 248,490   |
| STERIS Corporation                      | 98,600  | 2,757,842 |
| Straumann Holding                       | 6,700   | 1,888,540 |
| Techne Corporation                      | 71,000  | 4,867,760 |
| Urologix <sup>a,c</sup>                 | 445,500 | 824,175   |
| Young Innovations                       | 62,550  | 1,549,989 |
| Zoll Medical <sup>a</sup>               | 400     | 10,688    |

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27,720,544

**Total** (Cost \$46,179,810)

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65,239,712

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December 31, 2009

|                                                  | SHARES  | VALUE        |
|--------------------------------------------------|---------|--------------|
| <b>Industrial Products</b> 22.4%                 |         |              |
| Automotive - 1.6%                                |         |              |
| Gentex Corporation                               | 103,500 | \$ 1,847,475 |
| Great Wall Motor                                 | 100,000 | 123,959      |
| <b>LKQ Corporation</b> <sup>a</sup>              | 300,000 | 5,877,000    |
| Minth Group                                      | 176,600 | 260,248      |
| Nokian Renkaat                                   | 65,000  | 1,577,103    |
| Norstar Founders Group <sup>a,b</sup>            | 524,000 | 24,668       |
| SORL Auto Parts <sup>a,c</sup>                   | 26,423  | 225,388      |
| Superior Industries International                | 40,000  | 612,000      |
| WABCO Holdings                                   | 103,800 | 2,677,002    |
| Wonder Auto Technology <sup>a,c</sup>            | 9,000   | 105,840      |
| Xinyi Glass Holdings                             | 240,000 | 216,480      |
|                                                  |         | <hr/>        |
|                                                  |         | 13,547,163   |
|                                                  |         | <hr/>        |
| <b>Building Systems and Components</b><br>- 2.1% |         |              |
| Armstrong World Industries <sup>a</sup>          | 133,200 | 5,185,476    |
| Decker Manufacturing                             | 6,022   | 79,791       |
| NCI Building Systems <sup>a</sup>                | 13,900  | 25,159       |
| Preformed Line Products                          | 91,600  | 4,012,080    |
| <b>Simpson Manufacturing</b>                     | 303,500 | 8,161,115    |
|                                                  |         | <hr/>        |
|                                                  |         | 17,463,621   |
|                                                  |         | <hr/>        |
| <b>Construction Materials</b> - 1.2%             |         |              |
| <b>Ash Grove Cement Cl. B</b>                    | 50,518  | 7,375,628    |
| Duratex                                          | 226,464 | 2,089,230    |
| USG Corporation <sup>a,c</sup>                   | 50,000  | 702,500      |
|                                                  |         | <hr/>        |
|                                                  |         | 10,167,358   |
|                                                  |         | <hr/>        |
| <b>Industrial Components</b> - 2.3%              |         |              |
| AMETEK                                           | 6,300   | 240,912      |
| CLARCOR                                          | 92,500  | 3,000,700    |
| Donaldson Company                                | 92,800  | 3,947,712    |
| GrafTech International <sup>a</sup>              | 285,190 | 4,434,705    |
| II-VI <sup>a</sup>                               | 13,500  | 429,300      |
| Mueller Water Products Cl. A                     | 72,500  | 377,000      |
| PerkinElmer                                      | 185,800 | 3,825,622    |
| Powell Industries <sup>a</sup>                   | 92,400  | 2,913,372    |
| Precision Castparts                              | 2,200   | 242,770      |
|                                                  |         | <hr/>        |
|                                                  |         | 19,412,093   |
|                                                  |         | <hr/>        |
| <b>Machinery</b> - 5.2%                          |         |              |
| Astec Industries <sup>a</sup>                    | 61,800  | 1,664,892    |
| Baldor Electric                                  | 62,900  | 1,766,861    |

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|                                                 |         |           |
|-------------------------------------------------|---------|-----------|
| Burckhardt Compression Holding                  | 15,000  | 2,684,423 |
| Burnham Holdings Cl. B                          | 36,000  | 336,600   |
| Columbus McKinnon <sup>a,c</sup>                | 90,000  | 1,229,400 |
| Duoyuan Printing <sup>a,c</sup>                 | 15,000  | 120,750   |
| Franklin Electric                               | 104,600 | 3,041,768 |
| Hardinge                                        | 164,193 | 903,061   |
| Hollysys Automation Technologies <sup>a,c</sup> | 11,535  | 138,535   |
| Jinpan International                            | 8,500   | 405,195   |
| Lincoln Electric Holdings                       | 104,180 | 5,569,463 |
| Lonking Holdings                                | 40,000  | 27,598    |
| <b>Nordson Corporation</b>                      | 102,100 | 6,246,478 |
| <b>Rofin-Sinar Technologies <sup>a</sup></b>    | 281,700 | 6,650,937 |
| Shanghai Prime Machinery                        | 450,000 | 86,098    |
| Spirax-Sarco Engineering                        | 80,000  | 1,592,715 |
| Takatori Corporation <sup>a</sup>               | 40,000  | 127,700   |
| Wabtec Corporation                              | 124,500 | 5,084,580 |

|                                                  | SHARES  | VALUE      |
|--------------------------------------------------|---------|------------|
| <b>Industrial Products (continued)</b>           |         |            |
| <b>Machinery (continued)</b>                     |         |            |
| Wasion Group Holdings                            | 391,000 | \$ 404,583 |
| Williams Controls <sup>a</sup>                   | 37,499  | 296,242    |
| <b>Woodward Governor</b>                         | 231,600 | 5,968,332  |
|                                                  |         | <hr/>      |
|                                                  |         | 44,346,211 |
|                                                  |         | <hr/>      |
| <b>Metal Fabrication and Distribution - 3.5%</b> |         |            |
| Central Steel & Wire                             | 6,062   | 4,243,400  |
| Commercial Metals                                | 36,600  | 572,790    |
| CompX International Cl. A                        | 185,300 | 1,402,721  |
| Fushi Copperweld <sup>a</sup>                    | 12,645  | 127,967    |
| Kennametal                                       | 100,000 | 2,592,000  |
| NN <sup>a</sup>                                  | 197,100 | 780,516    |
| Nucor Corporation                                | 54,100  | 2,523,765  |
| RBC Bearings <sup>a,c</sup>                      | 92,000  | 2,238,360  |
| <b>Reliance Steel &amp; Aluminum</b>             | 168,920 | 7,300,722  |
| Schnitzer Steel Industries Cl. A                 | 100,000 | 4,770,000  |
| Sims Metal Management ADR                        | 174,375 | 3,400,313  |
|                                                  |         | <hr/>      |
|                                                  |         | 29,952,554 |
|                                                  |         | <hr/>      |
| <b>Miscellaneous Manufacturing - 3.0%</b>        |         |            |
| Barnes Group                                     | 20,000  | 338,000    |
| Brady Corporation Cl. A                          | 124,600 | 3,739,246  |
| China Automation Group                           | 330,500 | 270,654    |
| Matthews International Cl. A                     | 37,000  | 1,310,910  |
| Mettler-Toledo International <sup>a</sup>        | 33,500  | 3,517,165  |
| PMFG <sup>a</sup>                                | 344,900 | 5,590,829  |
| Rational                                         | 10,700  | 1,812,578  |
| Raven Industries                                 | 96,200  | 3,056,274  |
| Semperit AG Holding                              | 60,000  | 2,313,983  |
| Synalloy Corporation                             | 198,800 | 1,739,500  |
| Teleflex                                         | 5,000   | 269,450    |
| Valmont Industries                               | 25,000  | 1,961,250  |
|                                                  |         | <hr/>      |
|                                                  |         | 25,919,839 |
|                                                  |         | <hr/>      |
| <b>Paper and Packaging - 0.7%</b>                |         |            |



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|                                                         |         |            |
|---------------------------------------------------------|---------|------------|
| Greif Cl. A                                             | 65,700  | 3,546,486  |
| Mayr-Melnhof Karton                                     | 22,000  | 2,263,225  |
|                                                         |         | <hr/>      |
|                                                         |         | 5,809,711  |
|                                                         |         | <hr/>      |
| <b>Pumps, Valves and Bearings -<br/>1.5%</b>            |         |            |
| Gardner Denver                                          | 82,500  | 3,510,375  |
| Graco                                                   | 151,376 | 4,324,812  |
| IDEX Corporation                                        | 67,400  | 2,099,510  |
| Pfeiffer Vacuum Technology                              | 30,000  | 2,514,884  |
|                                                         |         | <hr/>      |
|                                                         |         | 12,449,581 |
|                                                         |         | <hr/>      |
| <b>Specialty Chemicals and Materials -<br/>1.0%</b>     |         |            |
| Albemarle Corporation                                   | 5,000   | 181,850    |
| Chemspec International ADR <sup>a,c</sup> <sub>--</sub> | 35,000  | 231,000    |
| China Sky Chemical Fibre <sup>a</sup> <sub>-</sub>      | 255,000 | 34,022     |
| China XD Plastics <sup>a,c</sup> <sub>--</sub>          | 10,000  | 80,100     |
| Hawkins                                                 | 186,178 | 4,064,266  |
| Kingboard Chemical Holdings                             | 41,900  | 166,162    |
| OM Group <sup>a</sup> <sub>-</sub>                      | 70,000  | 2,197,300  |
| Victrex                                                 | 100,000 | 1,293,601  |
|                                                         |         | <hr/>      |
|                                                         |         | 8,248,301  |
|                                                         |         | <hr/>      |
| <b>Textiles - 0.1%</b>                                  |         |            |
| Pacific Textile Holdings                                | 520,000 | 346,888    |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders |

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## Royce Value Trust

### Schedule of Investments

|                                                   | SHARES    | VALUE       |
|---------------------------------------------------|-----------|-------------|
| <b>Industrial Products (continued)</b>            |           |             |
| Textiles (continued)                              |           |             |
| Unifi <sup>a</sup>                                | 121,000   | \$ 469,480  |
|                                                   |           | 816,368     |
| <b>Other Industrial Products - 0.2%</b>           |           |             |
| China Fire & Security Group <sup>a,c</sup>        | 6,300     | 85,239      |
| Harbin Electric <sup>a,c</sup>                    | 10,200    | 209,508     |
| Vacon                                             | 41,500    | 1,587,549   |
|                                                   |           | 1,882,296   |
| <b>Total</b> (Cost \$119,404,477)                 |           | 190,015,096 |
| <b>Industrial Services 16.5%</b>                  |           |             |
| Advertising and Publishing - 0.4%                 |           |             |
| Lamar Advertising Cl. A <sup>a</sup>              | 51,000    | 1,585,590   |
| SinoMedia Holding                                 | 1,417,500 | 434,609     |
| ValueClick <sup>a</sup>                           | 145,000   | 1,467,400   |
|                                                   |           | 3,487,599   |
| <b>Commercial Services - 8.5%</b>                 |           |             |
| Anhanguera Educacional Participacoes <sup>a</sup> | 120,000   | 1,705,260   |
| Animal Health International <sup>a</sup>          | 17,000    | 40,800      |
| Brink's Company (The)                             | 65,600    | 1,596,704   |
| ChinaCast Education <sup>a,c</sup>                | 13,000    | 98,280      |
| Cintas Corporation                                | 69,000    | 1,797,450   |
| Convergys Corporation <sup>a</sup>                | 121,000   | 1,300,750   |
| Copart <sup>a</sup>                               | 131,100   | 4,802,193   |
| Corinthian Colleges <sup>a</sup>                  | 237,900   | 3,275,883   |
| CRA International <sup>a</sup>                    | 47,087    | 1,254,868   |
| Diamond Management & Technology Consultants       | 80,400    | 592,548     |
| Epure International                               | 50,000    | 25,845      |
| Forrester Research <sup>a</sup>                   | 40,300    | 1,045,785   |
| Gartner <sup>a</sup>                              | 213,000   | 3,842,520   |
| Global Sources <sup>a,c</sup>                     | 12,536    | 78,350      |
| Hackett Group <sup>a</sup>                        | 655,000   | 1,820,900   |
| Hewitt Associates Cl. A <sup>a</sup>              | 126,720   | 5,355,187   |
| ITT Educational Services <sup>a</sup>             | 17,000    | 1,631,320   |
| Landauer                                          | 75,500    | 4,635,700   |
| Manpower                                          | 65,600    | 3,580,448   |
| ManTech International Cl. A <sup>a</sup>          | 35,400    | 1,709,112   |
| <b>MAXIMUS</b>                                    | 124,900   | 6,245,000   |
| Michael Page International                        | 310,000   | 1,879,568   |
| Monster Worldwide <sup>a</sup>                    | 47,800    | 831,720     |

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|                                   |         |            |
|-----------------------------------|---------|------------|
| MPS Group <sup>a</sup>            | 423,500 | 5,818,890  |
| <b>Ritchie Bros. Auctioneers</b>  | 337,700 | 7,574,611  |
| Robert Half International         | 80,000  | 2,138,400  |
| <b>Sotheby's</b>                  | 334,400 | 7,517,312  |
| Spherion Corporation <sup>a</sup> | 62,800  | 352,936    |
|                                   |         | <hr/>      |
|                                   |         | 72,548,340 |
|                                   |         | <hr/>      |

Engineering and Construction -  
1.2%

|                                             |         |           |
|---------------------------------------------|---------|-----------|
| Desarrolladora Homex ADR <sup>a,c</sup>     | 14,100  | 474,042   |
| Integrated Electrical Services <sup>a</sup> | 355,400 | 2,079,090 |
| Jacobs Engineering Group <sup>a</sup>       | 6,400   | 240,704   |
| KBR                                         | 180,000 | 3,420,000 |
| NVR <sup>a</sup>                            | 5,000   | 3,553,550 |
|                                             |         | <hr/>     |
|                                             |         | 9,767,386 |
|                                             |         | <hr/>     |

|                                                    | SHARES  | VALUE       |
|----------------------------------------------------|---------|-------------|
| <b>Industrial Services (continued)</b>             |         |             |
| <b>Food, Tobacco and Agriculture - 0.9%</b>        |         |             |
| Agria Corporation ADR <sup>a,c</sup>               | 25,000  | \$ 78,250   |
| Alico                                              | 27,000  | 768,420     |
| American Italian Pasta Cl. A <sup>a,c</sup>        | 31,500  | 1,095,885   |
| Chaoda Modern Agriculture                          | 308,872 | 328,544     |
| China Green (Holdings)                             | 782,000 | 740,201     |
| Genting Plantations                                | 50,000  | 90,835      |
| Hanfeng Evergreen <sup>a</sup>                     | 32,700  | 231,059     |
| Intrepid Potash <sup>a,c</sup>                     | 69,927  | 2,039,771   |
| MGP Ingredients <sup>a,c</sup>                     | 127,400 | 974,610     |
| Origin Agritech <sup>a,c</sup>                     | 97,500  | 1,147,575   |
| Zhongpin <sup>a</sup>                              | 12,000  | 187,320     |
|                                                    |         | <hr/>       |
|                                                    |         | 7,682,470   |
|                                                    |         | <hr/>       |
| <b>Industrial Distribution - 0.8%</b>              |         |             |
| Lawson Products                                    | 161,431 | 2,849,257   |
| MSC Industrial Direct Cl. A                        | 83,900  | 3,943,300   |
|                                                    |         | <hr/>       |
|                                                    |         | 6,792,557   |
|                                                    |         | <hr/>       |
| <b>Transportation and Logistics - 4.7%</b>         |         |             |
| Alexander & Baldwin                                | 60,000  | 2,053,800   |
| C. H. Robinson Worldwide                           | 60,000  | 3,523,800   |
| <b>Forward Air</b>                                 | 269,750 | 6,757,237   |
| Frozen Food Express Industries                     | 286,635 | 945,895     |
| Hub Group Cl. A <sup>a</sup>                       | 174,400 | 4,679,152   |
| Kirby Corporation <sup>a</sup>                     | 85,500  | 2,977,965   |
| Landstar System                                    | 145,400 | 5,637,158   |
| <b>Patriot Transportation Holding <sup>a</sup></b> | 70,986  | 6,705,338   |
| Tidewater                                          | 36,000  | 1,726,200   |
| Universal Truckload Services                       | 129,576 | 2,345,326   |
| UTI Worldwide                                      | 175,000 | 2,506,000   |
|                                                    |         | <hr/>       |
|                                                    |         | 39,857,871  |
|                                                    |         | <hr/>       |
| <b>Total</b> (Cost \$100,567,008)                  |         | 140,136,223 |

---

|                                              |              |            |
|----------------------------------------------|--------------|------------|
| <b>Natural Resources</b>                     | <b>10.5%</b> |            |
| <b>Energy Services - 5.8%</b>                |              |            |
| Cal Dive International <sup>a</sup>          | 50,000       | 378,000    |
| CARBO Ceramics                               | 83,700       | 5,705,829  |
| Core Laboratories                            | 10,000       | 1,181,200  |
| Ensign Energy Services                       | 225,100      | 3,228,474  |
| Exterran Holdings <sup>a,c</sup>             | 103,600      | 2,222,220  |
| Helmerich & Payne                            | 53,700       | 2,141,556  |
| ION Geophysical <sup>a</sup>                 | 361,500      | 2,140,080  |
| Jutal Offshore Oil Services <sup>a</sup>     | 120,000      | 17,497     |
| Lufkin Industries                            | 31,000       | 2,269,200  |
| Major Drilling Group International           | 158,200      | 4,351,880  |
| <b>Oil States International <sup>a</sup></b> | 191,000      | 7,504,390  |
| Pason Systems                                | 169,800      | 1,891,447  |
| RPC                                          | 25,000       | 260,000    |
| <b>SEACOR Holdings <sup>a</sup></b>          | 101,300      | 7,724,125  |
| ShawCor Cl. A                                | 76,000       | 2,132,811  |
| TETRA Technologies <sup>a,c</sup>            | 68,000       | 753,440    |
| Trican Well Service                          | 99,900       | 1,343,017  |
| Unit Corporation <sup>a</sup>                | 46,000       | 1,955,000  |
| Willbros Group <sup>a</sup>                  | 103,800      | 1,751,106  |
|                                              |              | <hr/>      |
|                                              |              | 48,951,272 |
|                                              |              | <hr/>      |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS.**

December 31, 2009

|                                                        | SHARES    | VALUE        |
|--------------------------------------------------------|-----------|--------------|
| <b>Natural Resources (continued)</b>                   |           |              |
| Oil and Gas - 0.8%                                     |           |              |
| Bill Barrett <sup>a</sup>                              | 50,000    | \$ 1,555,500 |
| Cimarex Energy                                         | 95,490    | 5,058,105    |
|                                                        |           | <hr/>        |
|                                                        |           | 6,613,605    |
|                                                        |           | <hr/>        |
| Precious Metals and Mining - 2.4%                      |           |              |
| Aquarius Platinum <sup>a</sup>                         | 250,000   | 1,610,300    |
| Cliffs Natural Resources                               | 23,500    | 1,083,115    |
| Etruscan Resources <sup>a</sup>                        | 745,900   | 306,676      |
| Gammon Gold <sup>a</sup>                               | 198,300   | 2,183,283    |
| Hecla Mining <sup>a,c</sup>                            | 528,600   | 3,266,748    |
| Hochschild Mining                                      | 300,000   | 1,634,172    |
| IAMGOLD Corporation                                    | 135,620   | 2,121,097    |
| Kimber Resources <sup>a,c</sup>                        | 560,000   | 722,400      |
| New Gold <sup>a,c</sup>                                | 510,000   | 1,856,400    |
| Northam Platinum                                       | 350,000   | 2,262,379    |
| Northgate Minerals <sup>a</sup>                        | 140,000   | 431,200      |
| NovaGold Resources <sup>a,c</sup>                      | 70,000    | 429,100      |
| Pan American Silver <sup>a</sup>                       | 41,000    | 976,210      |
| Royal Gold                                             | 34,400    | 1,620,240    |
| Zhaojin Mining Industry                                | 15,000    | 29,586       |
|                                                        |           | <hr/>        |
|                                                        |           | 20,532,906   |
|                                                        |           | <hr/>        |
| Real Estate - 1.3%                                     |           |              |
| Avatar Holdings <sup>a,c</sup>                         | 50,000    | 850,500      |
| Consolidated-Tomoka Land                               | 13,564    | 473,926      |
| PICO Holdings <sup>a</sup>                             | 106,100   | 3,472,653    |
| St. Joe Company (The) <sup>a,c</sup>                   | 43,000    | 1,242,270    |
| Tejon Ranch <sup>a,c</sup>                             | 163,102   | 4,765,840    |
|                                                        |           | <hr/>        |
|                                                        |           | 10,805,189   |
|                                                        |           | <hr/>        |
| Other Natural Resources - 0.2%                         |           |              |
| China Forestry Holdings <sup>a</sup>                   | 5,946,000 | 1,679,488    |
| Hidili Industry International Development <sup>a</sup> | 175,000   | 217,739      |
|                                                        |           | <hr/>        |

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1,897,227

**Total** (Cost \$60,420,261)

88,800,199

**Technology 19.2%**

**Aerospace and Defense - 1.6%**

|                                 |         |           |
|---------------------------------|---------|-----------|
| AerCap Holdings <sup>a,c</sup>  | 45,000  | 407,700   |
| Ducommun                        | 117,200 | 2,192,812 |
| FLIR Systems <sup>a</sup>       | 75,000  | 2,454,000 |
| <b>HEICO Corporation</b>        | 107,700 | 4,774,341 |
| <b>HEICO Corporation Cl. A</b>  | 63,100  | 2,269,076 |
| Hexcel Corporation <sup>a</sup> | 47,500  | 616,550   |
| Moog Cl. A <sup>a</sup>         | 25,000  | 730,750   |

13,445,229

**Components and Systems - 5.0%**

|                                                         |         |           |
|---------------------------------------------------------|---------|-----------|
| AAC Acoustic Technologies Holdings                      | 110,700 | 182,948   |
| Analogic Corporation                                    | 40,135  | 1,545,599 |
| Belden                                                  | 57,800  | 1,266,976 |
| Benchmark Electronics <sup>a</sup>                      | 165,200 | 3,123,932 |
| Checkpoint Systems <sup>a</sup>                         | 56,060  | 854,915   |
| China Digital TV Holding Company ADR                    | 20,000  | 121,800   |
| China Security & Surveillance Technology <sup>a,c</sup> | 6,000   | 45,840    |

**SHARES VALUE**

**Technology (continued)**

**Components and Systems (continued)**

|                                          |         |              |
|------------------------------------------|---------|--------------|
| Diebold                                  | 151,600 | \$ 4,313,020 |
| Dionex Corporation <sup>a</sup>          | 52,900  | 3,907,723    |
| Electronics for Imaging <sup>a,c</sup>   | 8,517   | 110,806      |
| Energy Conversion Devices <sup>a,c</sup> | 84,500  | 893,165      |
| Intermec <sup>a</sup>                    | 23,000  | 295,780      |
| Newport Corporation <sup>a</sup>         | 483,500 | 4,443,365    |
| Perceptron <sup>a</sup>                  | 357,700 | 1,148,217    |
| <b>Plexus Corporation <sup>a</sup></b>   | 215,700 | 6,147,450    |
| Richardson Electronics                   | 520,712 | 3,056,579    |
| Technitrol                               | 261,200 | 1,144,056    |
| Teradata Corporation <sup>a</sup>        | 97,000  | 3,048,710    |
| Vaisala Cl. A                            | 108,500 | 3,902,380    |
| VTech Holdings                           | 66,050  | 631,427      |
| Western Digital <sup>a</sup>             | 4,500   | 198,675      |
| Zebra Technologies Cl. A <sup>a</sup>    | 76,525  | 2,170,249    |

42,553,612

**Distribution - 1.0%**

|                                    |         |           |
|------------------------------------|---------|-----------|
| Agilysys                           | 165,125 | 1,502,637 |
| Anixter International <sup>a</sup> | 61,795  | 2,910,545 |
| Avnet <sup>a</sup>                 | 8,000   | 241,280   |
| China 3C Group <sup>a</sup>        | 6,600   | 3,300     |
| Tech Data <sup>a</sup>             | 86,500  | 4,036,090 |

|                                            |         |            |
|--------------------------------------------|---------|------------|
|                                            |         | 8,693,852  |
| <hr/>                                      |         |            |
| <b>Internet Software and Services -</b>    |         |            |
| <b>0.2%</b>                                |         |            |
| NetEase.com ADR <sup>a,c</sup>             | 3,500   | 131,635    |
| Perficient <sup>a</sup>                    | 10,000  | 84,300     |
| RealNetworks <sup>a</sup>                  | 245,400 | 910,434    |
|                                            |         | <hr/>      |
|                                            |         | 1,126,369  |
| <hr/>                                      |         |            |
| <b>IT Services - 2.3%</b>                  |         |            |
| AsialInfo Holdings <sup>a,c</sup>          | 9,900   | 301,653    |
| Black Box                                  | 42,300  | 1,198,782  |
| <b>Sapient Corporation</b> <sup>a,c</sup>  | 756,602 | 6,257,099  |
| SRA International Cl. A <sup>a</sup>       | 248,800 | 4,752,080  |
| Syntel                                     | 122,379 | 4,654,073  |
| Total System Services                      | 106,000 | 1,830,620  |
| Yucheng Technologies <sup>a</sup>          | 20,840  | 177,765    |
|                                            |         | <hr/>      |
|                                            |         | 19,172,072 |
| <hr/>                                      |         |            |
| <b>Semiconductors and Equipment -</b>      |         |            |
| <b>3.3%</b>                                |         |            |
| ASM Pacific Technology                     | 18,000  | 169,189    |
| BE Semiconductor Industries <sup>a,c</sup> | 58,000  | 214,600    |
| Brooks Automation <sup>a</sup>             | 5,152   | 44,204     |
| Cognex Corporation                         | 236,200 | 4,185,464  |
| <b>Coherent</b> <sup>a,c</sup>             | 215,500 | 6,406,815  |
| Diodes <sup>a</sup>                        | 252,450 | 5,162,603  |
| EVS Broadcast Equipment                    | 12,000  | 764,878    |
| Exar Corporation <sup>a</sup>              | 157,576 | 1,120,365  |
| Himax Technologies ADR                     | 80,500  | 222,985    |
| Image Sensing Systems <sup>a</sup>         | 8,310   | 96,396     |
| International Rectifier <sup>a</sup>       | 120,000 | 2,654,400  |
| Intevac <sup>a</sup>                       | 57,450  | 658,952    |
| Power Integrations                         | 49,000  | 1,781,640  |
| TTM Technologies <sup>a</sup>              | 221,400 | 2,552,742  |
| Vimicro International ADR <sup>a</sup>     | 270,000 | 1,314,900  |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders |

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## Royce Value Trust

December 31, 2009

## Schedule of Investments

|                                             | SHARES    | VALUE       |
|---------------------------------------------|-----------|-------------|
| <b>Technology (continued)</b>               |           |             |
| Semiconductors and Equipment<br>(continued) |           |             |
| Virage Logic <sup>a</sup>                   | 158,100   | \$ 869,550  |
|                                             |           | 28,219,683  |
| <b>Software - 3.9%</b>                      |           |             |
| ACI Worldwide <sup>a</sup>                  | 201,150   | 3,449,723   |
| Activision Blizzard <sup>a</sup>            | 21,000    | 233,310     |
| Advent Software <sup>a,c</sup>              | 130,300   | 5,307,119   |
| ANSYS <sup>a</sup>                          | 100,000   | 4,346,000   |
| Aspen Technology <sup>a</sup>               | 42,100    | 412,580     |
| ATA ADR <sup>a,c</sup>                      | 47,100    | 207,240     |
| Aveva Group                                 | 85,000    | 1,381,541   |
| Avid Technology <sup>a</sup>                | 186,000   | 2,373,360   |
| Blackbaud                                   | 36,890    | 871,711     |
| Epicor Software <sup>a</sup>                | 79,900    | 608,838     |
| Fair Isaac                                  | 54,500    | 1,161,395   |
| JDA Software Group <sup>a</sup>             | 99,900    | 2,544,453   |
| Majesco Entertainment <sup>a,c</sup>        | 36,255    | 41,693      |
| National Instruments                        | 167,900   | 4,944,655   |
| Net 1 UEPS Technologies <sup>a,c</sup>      | 50,000    | 971,000     |
| Novell <sup>a</sup>                         | 50,000    | 207,500     |
| Parametric Technology <sup>a,c</sup>        | 59,300    | 968,962     |
| PLATO Learning <sup>a</sup>                 | 149,642   | 652,439     |
| Rosetta Stone <sup>a,c</sup>                | 2,000     | 35,900      |
| Sybase <sup>a</sup>                         | 57,600    | 2,499,840   |
| THQ <sup>a</sup>                            | 20,000    | 100,800     |
|                                             |           | 33,320,059  |
| <b>Telecommunications - 1.9%</b>            |           |             |
| Adaptec <sup>a</sup>                        | 1,568,800 | 5,255,480   |
| ADTRAN                                      | 65,000    | 1,465,750   |
| Citic 1616 Holdings                         | 6,216,500 | 2,097,165   |
| Comtech Telecommunications <sup>a</sup>     | 73,500    | 2,576,175   |
| Globecom Systems <sup>a</sup>               | 233,700   | 1,827,534   |
| LiveWire Mobile <sup>a,c</sup>              | 38,000    | 89,300      |
| Sonus Networks <sup>a,c</sup>               | 554,000   | 1,168,940   |
| Sycamore Networks                           | 22,100    | 462,111     |
| Tandberg                                    | 30,000    | 854,605     |
| Zhone Technologies <sup>a,c</sup>           | 1,120,000 | 458,752     |
|                                             |           | 16,255,812  |
| <b>Total</b> (Cost \$150,756,881)           |           | 162,786,688 |

Miscellaneous <sup>e</sup> 4.9%

SHARES VALUE



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|                                                                                                                                                                                                                                                                                                                        |        |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----------------------|
| <b>Total</b> (Cost \$36,654,318)                                                                                                                                                                                                                                                                                       |        | \$ 41,713,439         |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |
| <b>TOTAL COMMON STOCKS</b><br>(Cost \$826,766,306)                                                                                                                                                                                                                                                                     |        | 996,407,315           |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |
| <b>PREFERRED STOCK 0.2%</b><br>Seneca Foods Conv. <sup>a,b</sup><br>(Cost \$1,279,250)                                                                                                                                                                                                                                 | 85,000 | 1,826,055             |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |
| <b>REPURCHASE AGREEMENT<br/>8.2%</b><br>State Street Bank & Trust<br>Company, 0.005% dated<br>12/31/09, due 1/4/10, maturity<br>value \$70,008,039<br>(collateralized by obligations of<br>various U.S. Government<br>Agencies, 4.25%-7.125% due<br>6/15/10-8/15/10, valued at<br>\$71,760,372)<br>(Cost \$70,008,000) |        | 70,008,000            |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |
| <b>COLLATERAL RECEIVED FOR SECURITIES<br/>LOANED 3.7%</b><br>Money Market Funds<br>Federated Government<br>Obligations Fund<br>(7 day yield-0.0582%)<br>(Cost \$31,105,857)                                                                                                                                            |        | 31,105,857            |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |
| <b>TOTAL INVESTMENTS<br/>129.4%</b><br>(Cost \$929,159,413)                                                                                                                                                                                                                                                            |        | 1,099,347,227         |
| <b>LIABILITIES LESS CASH<br/>AND OTHER ASSETS (3.5)%</b>                                                                                                                                                                                                                                                               |        | (29,570,479)          |
| <b>PREFERRED STOCK<br/>(25.9)%</b>                                                                                                                                                                                                                                                                                     |        | (220,000,000)         |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |
| <b>NET ASSETS APPLICABLE<br/>TO COMMON<br/>STOCKHOLDERS 100.0%</b>                                                                                                                                                                                                                                                     |        | <b>\$ 849,776,748</b> |
| <hr/>                                                                                                                                                                                                                                                                                                                  |        |                       |

New additions in 2009.

<sup>a</sup> Non-income producing.

<sup>b</sup> Securities for which market quotations are not readily available represent 0.2% of net assets. These securities have been valued at their fair value under procedures established by the Fund's Board of Directors.

<sup>c</sup> All or a portion of these securities were on loan at December 31, 2009. Total market value of loaned securities at December 31, 2009 was \$30,123,697.

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- <sup>d</sup> At December 31, 2009, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940. See notes to financial statements.
- <sup>e</sup> Includes securities first acquired in 2009 and less than 1% of net assets applicable to Common Stockholders.

**Bold indicates the Fund's 20 largest equity holdings in terms of December 31, 2009 market value.**

**TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$926,083,767. At December 31, 2009, net unrealized appreciation for all securities was \$173,263,460, consisting of aggregate gross unrealized appreciation of \$293,893,010 and aggregate gross unrealized depreciation of \$120,629,550. The primary difference between book and tax basis cost is the timing of the recognition of partnership income and losses on securities sold.

---

## Royce Value Trust

December 31, 2009

## Statement of Assets and Liabilities

**ASSETS:**

|                                                                   |                  |
|-------------------------------------------------------------------|------------------|
| Investments at value (including collateral on loaned securities)* |                  |
| Non-Affiliated Companies (cost \$853,413,097)                     | \$ 1,027,255,979 |
| Affiliated Companies (cost \$5,738,316)                           | 2,083,248        |

|                                           |               |
|-------------------------------------------|---------------|
| Total investments at value                | 1,029,339,227 |
| Repurchase agreements (at cost and value) | 70,008,000    |
| Cash and foreign currency                 | 66,516        |
| Receivable for investments sold           | 1,088,683     |
| Receivable for dividends and interest     | 1,003,734     |
| Prepaid expenses and other assets         | 239,282       |

|              |               |
|--------------|---------------|
| Total Assets | 1,101,745,442 |
|--------------|---------------|

**LIABILITIES:**

|                                                  |            |
|--------------------------------------------------|------------|
| Payable for collateral on loaned securities      | 31,105,857 |
| Payable for investments purchased                | 333,631    |
| Preferred dividends accrued but not yet declared | 288,448    |
| Accrued expenses                                 | 240,758    |

|                   |            |
|-------------------|------------|
| Total Liabilities | 31,968,694 |
|-------------------|------------|

**PREFERRED STOCK:**

|                                                                                                                      |             |
|----------------------------------------------------------------------------------------------------------------------|-------------|
| 5.90% Cumulative Preferred Stock - \$0.001 par value, \$25 liquidation value per share; 8,800,000 shares outstanding | 220,000,000 |
|----------------------------------------------------------------------------------------------------------------------|-------------|

|                       |             |
|-----------------------|-------------|
| Total Preferred Stock | 220,000,000 |
|-----------------------|-------------|

|                                                     |                       |
|-----------------------------------------------------|-----------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 849,776,748</b> |
|-----------------------------------------------------|-----------------------|

**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|                                                                                                                           |                |
|---------------------------------------------------------------------------------------------------------------------------|----------------|
| Common Stock paid-in capital - \$0.001 par value per share; 66,023,310 shares outstanding (150,000,000 shares authorized) | \$ 783,354,589 |
| Undistributed net investment income (loss)                                                                                | 2,135,911      |
| Accumulated net realized gain (loss) on investments and foreign currency                                                  | (105,611,604)  |
| Net unrealized appreciation (depreciation) on investments and foreign currency                                            | 170,186,301    |
| Preferred dividends accrued but not yet declared                                                                          | (288,449)      |

|                                                                                    |                |
|------------------------------------------------------------------------------------|----------------|
| Net Assets applicable to Common Stockholders (net asset value per share - \$12.87) | \$ 849,776,748 |
|------------------------------------------------------------------------------------|----------------|

|                                                                                             |                |
|---------------------------------------------------------------------------------------------|----------------|
| *Investments at identified cost (including \$31,105,857 of collateral on loaned securities) | \$ 859,151,413 |
| Market value of loaned securities                                                           | 30,123,697     |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**

2009 Annual Report to  
Stockholders | 27

## Royce Value Trust

Year Ended December 31, 2009

**Statement of Operations****INVESTMENT INCOME:**

|                          |                   |
|--------------------------|-------------------|
| Income:                  |                   |
| Dividends*               |                   |
| Non-Affiliated Companies | \$ 11,685,155     |
| Affiliated Companies     | 145,452           |
| Interest                 | 83,779            |
| Securities lending       | 306,349           |
| <b>Total income</b>      | <b>12,220,735</b> |

## Expenses:

|                                      |                  |
|--------------------------------------|------------------|
| Investment advisory fees             |                  |
| Stockholder reports                  | 414,110          |
| Custody and transfer agent fees      | 208,085          |
| Administrative and office facilities | 132,707          |
| Directors fees                       | 99,153           |
| Professional fees                    | 80,762           |
| Other expenses                       | 146,225          |
| <b>Total expenses</b>                | <b>1,081,042</b> |

|                                     |                   |
|-------------------------------------|-------------------|
| <b>Net investment income (loss)</b> | <b>11,139,693</b> |
|-------------------------------------|-------------------|

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:**

|                                                                                    |                    |
|------------------------------------------------------------------------------------|--------------------|
| Net realized gain (loss):                                                          |                    |
| Investments in Non-Affiliated Companies                                            | (78,760,748)       |
| Investments in Affiliated Companies                                                | (2,488,607)        |
| Foreign currency transactions                                                      | 31,207             |
| Net change in unrealized appreciation (depreciation):                              |                    |
| Investments and foreign currency translations                                      | 340,202,736        |
| Other assets and liabilities denominated in foreign currency                       | 2,071              |
| <b>Net realized and unrealized gain (loss) on investments and foreign currency</b> | <b>258,986,659</b> |

|                                                                         |                    |
|-------------------------------------------------------------------------|--------------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM INVESTMENT OPERATIONS</b> | <b>270,126,352</b> |
|-------------------------------------------------------------------------|--------------------|

|                                                |                     |
|------------------------------------------------|---------------------|
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b> | <b>(12,980,000)</b> |
|------------------------------------------------|---------------------|

|                                                                                                           |                      |
|-----------------------------------------------------------------------------------------------------------|----------------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b> | <b>\$257,146,352</b> |
|-----------------------------------------------------------------------------------------------------------|----------------------|

\* Net of foreign withholding tax of \$340,052.

## Royce Value Trust

### Statement of Changes in Net Assets

|                                                                                                                           | Year ended<br>12/31/09 | Year ended<br>12/31/08 |
|---------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>                                                                                             |                        |                        |
| Net investment income (loss)                                                                                              | \$ 11,139,693          | \$ 8,857,568           |
| Net realized gain (loss) on investments and foreign currency                                                              | (81,218,148)           | 41,802,074             |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency                                  | 340,204,807            | (567,740,312)          |
| Net increase (decrease) in net assets from investment operations                                                          | 270,126,352            | (517,080,670)          |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                                                                           |                        |                        |
| Net investment income                                                                                                     | (11,909,351)           | (621,668)              |
| Net realized gain on investments and foreign currency                                                                     |                        | (12,358,332)           |
| Return of capital                                                                                                         | (1,070,649)            |                        |
| Total distributions to Preferred Stockholders                                                                             | (12,980,000)           | (12,980,000)           |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b>                 |                        |                        |
|                                                                                                                           | 257,146,352            | (530,060,670)          |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                                                              |                        |                        |
| Net investment income                                                                                                     |                        | (3,638,680)            |
| Net realized gain on investments and foreign currency                                                                     |                        | (72,334,389)           |
| Return of capital                                                                                                         | (20,600,435)           | (29,418,267)           |
| Total distributions to Common Stockholders                                                                                | (20,600,435)           | (105,391,336)          |
| <b>CAPITAL STOCK TRANSACTIONS:</b>                                                                                        |                        |                        |
| Reinvestment of distributions to Common Stockholders                                                                      | 9,996,769              | 54,016,743             |
| Total capital stock transactions                                                                                          | 9,996,769              | 54,016,743             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>                                            |                        |                        |
|                                                                                                                           | 246,542,686            | (581,435,263)          |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>                                                                      |                        |                        |
| Beginning of year                                                                                                         | 603,234,062            | 1,184,669,325          |
| End of year (including undistributed net investment income (loss) of \$2,135,911 at 12/31/09 and \$3,331,228 at 12/31/08) | \$ 849,776,748         | \$ 603,234,062         |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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Stockholders | 29

## Royce Value Trust

### Financial Highlights

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

|                                                                                                           | Years ended December 31, |          |          |          |
|-----------------------------------------------------------------------------------------------------------|--------------------------|----------|----------|----------|
|                                                                                                           | 2009                     | 2008     | 2007     | 2006     |
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>                                                               | \$ 9.37                  | \$ 19.74 | \$ 20.62 | \$ 18.87 |
| <b>INVESTMENT OPERATIONS:</b>                                                                             |                          |          |          |          |
| Net investment income (loss)                                                                              | 0.17                     | 0.14     | 0.09     | 0.13     |
| Net realized and unrealized gain (loss) on investments and foreign currency                               | 3.87                     | (8.50)   | 1.13     | 3.63     |
| Total investment operations                                                                               | 4.04                     | (8.36)   | 1.22     | 3.76     |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                                                           |                          |          |          |          |
| Net investment income                                                                                     | (0.18)                   | (0.01)   | (0.01)   | (0.02)   |
| Net realized gain on investments and foreign currency                                                     |                          | (0.20)   | (0.21)   | (0.21)   |
| Return of capital                                                                                         | (0.02)                   |          |          |          |
| Total distributions to Preferred Stockholders                                                             | (0.20)                   | (0.21)   | (0.22)   | (0.23)   |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b> | 3.84                     | (8.57)   | 1.00     | 3.53     |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                                              |                          |          |          |          |
| Net investment income                                                                                     |                          | (0.06)   | (0.09)   | (0.14)   |
| Net realized gain on investments and foreign currency                                                     |                          | (1.18)   | (1.76)   | (1.64)   |
| Return of capital                                                                                         | (0.32)                   | (0.48)   |          |          |
| Total distributions to Common Stockholders                                                                | (0.32)                   | (1.72)   | (1.85)   | (1.78)   |
| <b>CAPITAL STOCK TRANSACTIONS:</b>                                                                        |                          |          |          |          |
| Effect of reinvestment of distributions by Common Stockholders                                            | (0.02)                   | (0.08)   | (0.03)   | (0.00)   |
| Total capital stock transactions                                                                          | (0.02)                   | (0.08)   | (0.03)   | (0.00)   |
| <b>NET ASSET VALUE, END OF PERIOD</b>                                                                     | \$ 12.87                 | \$ 9.37  | \$ 19.74 | \$ 20.62 |
| <b>MARKET VALUE, END OF PERIOD</b>                                                                        | \$ 10.79                 | \$ 8.39  | \$ 18.58 | \$ 22.21 |
| <b>TOTAL RETURN (a):</b>                                                                                  |                          |          |          |          |
| Market Value                                                                                              | 35.39%                   | (48.27)% | (8.21)%  | 20.96%   |
| Net Asset Value                                                                                           | 44.59%                   | (45.62)% | 5.04%    | 19.50%   |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>                              |                          |          |          |          |

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|                              |       |       |       |       |
|------------------------------|-------|-------|-------|-------|
| Total expenses (b,c)         | 0.16% | 1.39% | 1.38% | 1.29% |
| Management fee expense (d)   | 0.00% | 1.27% | 1.29% | 1.20% |
| Other operating expenses     | 0.16% | 0.12% | 0.09% | 0.09% |
| Net investment income (loss) | 1.66% | 0.94% | 0.43% | 0.62% |

**SUPPLEMENTAL DATA:**

|                                                                               |            |            |              |              |
|-------------------------------------------------------------------------------|------------|------------|--------------|--------------|
| Net Assets Applicable to Common Stockholders,<br>End of Period (in thousands) | \$ 849,777 | \$ 603,234 | \$ 1,184,669 | \$ 1,180,428 |
| Liquidation Value of Preferred Stock,<br>End of Period (in thousands)         | \$ 220,000 | \$ 220,000 | \$ 220,000   | \$ 220,000   |
| Portfolio Turnover Rate                                                       | 31%        | 25%        | 26%          | 21%          |

**PREFERRED STOCK:**

|                                          |           |           |           |           |
|------------------------------------------|-----------|-----------|-----------|-----------|
| Total shares outstanding                 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 |
| Asset coverage per share                 | \$ 121.57 | \$ 93.55  | \$ 159.62 | \$ 159.14 |
| Liquidation preference per share         | \$ 25.00  | \$ 25.00  | \$ 25.00  | \$ 25.00  |
| Average month-end market value per share | \$ 23.18  | \$ 22.51  | \$ 23.68  | \$ 23.95  |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 0.12%, 1.13%, 1.17%, 1.08% and 1.22% for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees and after earnings credits would have been 0.16%, 1.39%, 1.38%, 1.29% and 1.49% for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
- (d) The management fee is calculated based on average net assets over a rolling 60-month basis, while the above ratios of management fee expenses are based on the average net assets applicable to Common Stockholders over a 12-month basis.

## Royce Value Trust

### Notes to Financial Statements

#### Summary of Significant Accounting Policies:

Royce Value Trust, Inc. (the Fund), was incorporated under the laws of the State of Maryland on July 1, 1986 as a diversified closed-end investment company. The Fund commenced operations on November 26, 1986.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the evaluation of subsequent events through February 23, 2010, the issuance date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Under the Fund's organizational documents, the officers and directors are indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

#### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price, except in the case of some bonds and other fixed income securities which may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. The Fund values its non-U.S. dollar denominated securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the prices of securities used by the Fund may differ from quoted or published prices for the same security. Investments in money market funds are valued at net asset value per share.

Various inputs are used in determining the value of the Fund's investments, as noted above. These inputs are summarized in the three broad levels below:

- Level 1 quoted prices in active markets for identical securities
- Level 2 other significant observable inputs (including quoted prices for similar securities, foreign securities that may be fair valued and repurchase agreements)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of December 31, 2009:

|                  | Level 1       | Level 2       | Level 3    | Total         |
|------------------|---------------|---------------|------------|---------------|
| Common stocks    | \$823,769,244 | \$172,422,529 | \$ 215,542 | \$996,407,315 |
| Preferred stocks |               |               | 1,826,055  | 1,826,055     |
| Cash equivalents | 31,105,857    | 70,008,000    |            | 101,113,857   |

Level 3

Reconciliation:



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|                     | Balance as of<br>12/31/08 | Purchases | Transfers<br>In | Sales    | Realized<br>and<br>Unrealized<br>Gain<br>(Loss) <sup>(1)</sup> | Balance as<br>of<br>12/31/09 |
|---------------------|---------------------------|-----------|-----------------|----------|----------------------------------------------------------------|------------------------------|
| Common<br>stocks    | \$ 39,967                 | \$ 2,098  | \$ 494,351      | \$88,292 | \$ (232,582)                                                   | \$ 215,542                   |
| Preferred<br>stocks | 1,599,615                 |           |                 |          | 226,440                                                        | 1,826,055                    |

<sup>(1)</sup> The net change in unrealized appreciation (depreciation) is included in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized. Net realized gain (loss) from investments and foreign currency transactions is included in the accompanying Statement of Operations.

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## Royce Value Trust

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### Notes to Financial Statements (continued)

#### Repurchase Agreements:

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of its underlying securities.

#### Foreign Currency:

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

#### Securities Lending:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral for the Fund on all securities loaned is accepted in cash and cash equivalents and invested temporarily by the custodian. The collateral maintained is at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. The Fund retains the risk of any loss on the securities on loan as well as incurring the potential loss on investments purchased with cash collateral received for securities lending.

#### Taxes:

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Tax Information".

#### Distributions:

Effective May 18, 2009, the Fund pays any dividends and capital gain distributions annually in December on the Fund's Common Stock. Prior to that date, the Fund paid quarterly distributions on the Fund's Common Stock at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are accrued daily and paid quarterly and distributions to Common Stockholders are recorded on ex-dividend date. Distributable capital gains and/or net investment income are first allocated to Preferred Stockholder distributions, with any excess allocable to Common Stockholders. If capital gains and/or net investment income are allocated to both Preferred and Common Stockholders, the tax character of such allocations is proportional. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### Investment Transactions and Related Investment Income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis. Premium and discounts on debt securities are amortized using the effective yield-to-maturity method. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

#### Expenses:

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The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated equitably. Certain personnel, occupancy costs and other administrative expenses related to The Royce Funds are allocated by Royce & Associates, LLC ( Royce ) under an administration agreement and are included in administrative and office facilities and legal expenses. The Fund has adopted a deferred fee agreement that allows the Directors to defer the receipt of all or a portion of Directors' Fees otherwise payable. The deferred fees are invested in certain Royce Funds until distributed in accordance with the agreement.

### **Compensating Balance Credits:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.

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## Royce Value Trust

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### Notes to Financial Statements (continued)

#### Capital Stock:

The Fund issued 1,646,914 and 4,367,983 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, 8,800,000 shares of 5.90% Cumulative Preferred Stock were outstanding. The Fund, at its option, may redeem the Cumulative Preferred Stock, in whole or in part, at the redemption price. The Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with accounting for redeemable equity instruments, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Stockholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Cumulative Preferred Stock.

#### Investment Advisory Agreement:

As compensation for its services under the Investment Advisory Agreement, Royce receives a fee comprised of a Basic Fee ( Basic Fee ) and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the S&P SmallCap 600 Index ( S&P 600 ).

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common Stockholders, plus the liquidation value of Preferred Stock, for the rolling 60-month period ending with such month (the performance period). The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the S&P 600 for the performance period by more than two percentage points. The performance period for each such month is a rolling 60-month period ending with such month. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the S&P 600 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the S&P 600 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

Notwithstanding the foregoing, Royce is not entitled to receive any fee for any month when the investment performance of the Fund for the rolling 36-month period ending with such month is negative. In the event that the Fund's investment performance for such a performance period is less than zero, Royce will not be required to refund to the Fund any fee earned in respect of any prior performance period.

Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to an issue of the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the applicable Preferred Stock's dividend rate.

For each of the twelve rolling 36-month periods ended December 31, 2009, the Fund had negative investment performance and, accordingly, paid no advisory fee.

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2009, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$248,581,541 and \$291,550,287, respectively.

#### Distributions to Stockholders:

The tax character of distributions paid to common stockholders during 2009 and 2008 was as follows:

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|                          |               |                |
|--------------------------|---------------|----------------|
| Distributions paid from: | <u>2009</u>   | <u>2008</u>    |
| Ordinary income          |               | \$ 4,477,547   |
| Long-term capital gain   |               | 71,495,522     |
| Return of capital        | \$ 20,600,435 | 29,418,267     |
|                          | <hr/>         | <hr/>          |
|                          | \$ 20,600,435 | \$ 105,391,336 |

The tax character of distributions paid to preferred stockholders during 2009 and 2008 was as follows:

|                          |               |               |
|--------------------------|---------------|---------------|
| Distributions paid from: | <u>2009</u>   | <u>2008</u>   |
| Ordinary income          | \$ 11,909,351 | \$ 764,989    |
| Long-term capital gain   |               | 12,215,011    |
| Return of capital        | 1,070,649     |               |
|                          | <hr/>         | <hr/>         |
|                          | \$ 12,980,000 | \$ 12,980,000 |

## Royce Value Trust

### Notes to Financial Statements (continued)

#### Distributions to Stockholders (continued):

As of December 31, 2009, the tax basis components of distributable earnings included in stockholders' equity were as follows:

|                                        |                  |
|----------------------------------------|------------------|
| Capital loss carryforward to 12/31/17  | \$ (101,981,568) |
| Unrealized appreciation (depreciation) | 173,261,948      |
| Post October loss*                     | (4,569,772)      |
| Accrued preferred distributions        | (288,449)        |
|                                        | \$ 66,422,159    |

\*Under the current tax law, capital losses, foreign currency losses and losses realized on Passive Foreign Investment Companies after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. As of December 31, 2009, the Fund had \$4,569,772 of post October losses.

The difference between book and tax basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral on wash sales, partnership investments and the unrealized gains on Passive Foreign Investment Companies.

For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the tax character of permanent book/tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences and different characterization of distributions made by the Fund. For the year ended December 31, 2009, the Fund recorded the following permanent reclassifications. Results of operations and net assets were not affected by these reclassifications.

|                                                |                                                 |                            |
|------------------------------------------------|-------------------------------------------------|----------------------------|
| <u>Undistributed Net<br/>Investment Income</u> | <u>Accumulated Net<br/>Realized Gain (Loss)</u> | <u>Paid-in<br/>Capital</u> |
| \$(425,659)                                    | \$(189,017)                                     | \$614,676                  |

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (2006-2009) and has concluded that as of December 31, 2009, no provision for income tax is required in the Fund's financial statements.

#### Transactions in Affiliated Companies:

An Affiliated Company as defined in the Investment Company Act of 1940, is a company in which a fund owns 5% or more of the company's outstanding voting securities at any time during the period. The Fund effected the following transactions in shares of such companies for the year ended December 31, 2009:

| Affiliated Company | Shares<br>12/31/08 | Market<br>Value<br>12/31/08 | Cost of<br>Purchases | Cost of<br>Sales | Realized<br>Gain (Loss) | Dividend<br>Income | Shares<br>12/31/09 | Market<br>Value<br>12/31/09 |
|--------------------|--------------------|-----------------------------|----------------------|------------------|-------------------------|--------------------|--------------------|-----------------------------|
| Delta Apparel*     | 605,560            | \$ 2,210,294                |                      | \$ 4,297,286     | \$(2,488,607)           |                    |                    |                             |
| Timberland Bancorp | 469,200            | 3,495,540                   |                      |                  |                         | \$ 145,452         | 469,200            | \$ 2,083,248                |
|                    |                    | \$ 5,705,834                |                      |                  | \$(2,488,607)           | \$ 145,452         |                    | \$ 2,083,248                |

\*Not an Affiliated Company at December 31, 2009.



## Royce Value Trust

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### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Royce Value Trust, Inc.  
New York, New York

We have audited the accompanying statement of assets and liabilities of Royce Value Trust, Inc., ( Fund ) including the schedule of investments, as of December 31, 2009, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Royce Value Trust, Inc. at December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER, & BAKER LLP

Philadelphia, Pennsylvania  
February 23, 2010



## Royce Micro-Cap Trust

### Schedule of Investments

|                                                    | SHARES    | VALUE      |
|----------------------------------------------------|-----------|------------|
| <b>COMMON STOCKS 110.3%</b>                        |           |            |
| <b>Consumer Products 8.0%</b>                      |           |            |
| Apparel, Shoes and Accessories -<br>1.8%           |           |            |
| K-Swiss Cl. A <sup>a</sup>                         | 47,400    | \$ 471,156 |
| Movado Group                                       | 168,840   | 1,641,125  |
| Steven Madden <sup>a</sup>                         | 10,300    | 424,772    |
| True Religion Apparel <sup>a,b</sup>               | 25,500    | 471,495    |
| Weyco Group                                        | 48,000    | 1,134,720  |
| Yamato International                               | 40,000    | 141,289    |
|                                                    |           | 4,284,557  |
| Consumer Electronics - 0.7%                        |           |            |
| DTS <sup>a</sup>                                   | 50,000    | 1,710,500  |
|                                                    |           | 1,710,500  |
| Food/Beverage/Tobacco - 2.2%                       |           |            |
| Asian Citrus Holdings                              | 1,060,000 | 857,813    |
| Cal-Maine Foods                                    | 22,500    | 766,800    |
| Heckmann Corporation <sup>a,b</sup>                | 200,000   | 998,000    |
| HQ Sustainable Maritime<br>Industries <sup>a</sup> | 72,800    | 512,512    |
| Seneca Foods Cl. A <sup>a,b</sup>                  | 51,400    | 1,226,918  |
| Seneca Foods Cl. B <sup>a</sup>                    | 42,500    | 1,027,225  |
|                                                    |           | 5,389,268  |
| Health, Beauty and Nutrition -<br>0.5%             |           |            |
| NutriSystem                                        | 37,700    | 1,175,109  |
|                                                    |           | 1,175,109  |
| Home Furnishing and Appliances -<br>2.8%           |           |            |
| American Woodmark                                  | 72,000    | 1,416,960  |
| Ethan Allen Interiors                              | 66,600    | 893,772    |
| Flexsteel Industries                               | 172,500   | 1,764,675  |
| Koss Corporation <sup>c</sup>                      | 73,400    | 36,700     |
| Lumber Liquidators <sup>a,b</sup>                  | 29,900    | 801,320    |
| Natuzzi ADR <sup>a</sup>                           | 409,800   | 1,323,654  |
| Universal Electronics <sup>a</sup>                 | 31,000    | 719,820    |
|                                                    |           | 6,956,901  |
|                                                    |           | 6,956,901  |
| <b>Total</b> (Cost \$14,783,625)                   |           | 19,516,335 |
| <b>Consumer Services 3.5%</b>                      |           |            |
| Online Commerce - 0.3%                             |           |            |
| Alloy <sup>a</sup>                                 | 36,002    | 280,096    |

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|                                        |         |           |
|----------------------------------------|---------|-----------|
| CryptoLogic                            | 88,300  | 323,178   |
| 1-800-FLOWERS.COM Cl. A <sup>a</sup>   | 34,540  | 91,531    |
|                                        |         | 694,805   |
| <b>Restaurants and Lodgings - 0.0%</b> |         |           |
| Benihana Cl. A <sup>a</sup>            | 16,300  | 61,777    |
| <b>Retail Stores - 3.2%</b>            |         |           |
| <b>America s Car-Mart <sup>a</sup></b> | 92,800  | 2,443,424 |
| Charming Shoppes <sup>a,b</sup>        | 266,200 | 1,722,314 |
| China Nepstar Chain Drugstore          |         |           |
| ADR                                    | 24,300  | 177,147   |
| dELiA*s <sup>a</sup>                   | 75,000  | 140,250   |
| DSW Cl. A <sup>a,b</sup>               | 10,500  | 271,740   |
| Le Chateau Cl. A                       | 27,900  | 364,139   |
| Stein Mart <sup>a</sup>                | 178,900 | 1,907,074 |
| West Marine <sup>a</sup>               | 86,000  | 693,160   |
|                                        |         | 7,719,248 |
| <b>Total</b> (Cost \$6,157,176)        |         | 8,475,830 |

|                                              | SHARES  | VALUE        |
|----------------------------------------------|---------|--------------|
| <b>Diversified Investment Companies 0.9%</b> |         |              |
| <b>Closed-End Funds - 0.9%</b>               |         |              |
| Central Fund of Canada Cl. A                 | 131,700 | \$ 1,814,826 |
| Urbana Corporation <sup>a</sup>              | 237,600 | 343,047      |
|                                              |         | 2,157,873    |
| <b>Total</b> (Cost \$847,767)                |         | 2,157,873    |
| <b>Financial Intermediaries 9.3%</b>         |         |              |
| <b>Banking - 3.8%</b>                        |         |              |
| Alliance Bancorp, Inc. of Pennsylvania       | 50,420  | 423,528      |
| B of I Holding <sup>a,b</sup>                | 100,000 | 1,000,000    |
| BCB Holdings <sup>a</sup>                    | 806,207 | 1,256,610    |
| Cass Information Systems                     | 15,000  | 456,000      |
| Centrue Financial                            | 66,600  | 177,822      |
| CFS Bancorp                                  | 75,000  | 242,250      |
| Chemung Financial                            | 40,000  | 818,000      |
| Commercial National Financial                | 20,000  | 346,600      |
| Fauquier Bankshares                          | 135,800 | 1,683,920    |
| Financial Institutions                       | 36,000  | 424,080      |
| First Bancorp                                | 40,200  | 619,884      |
| HopFed Bancorp                               | 61,000  | 579,500      |
| LCNB Corporation                             | 30,000  | 315,000      |
| Wilber Corporation (The)                     | 126,850 | 913,320      |
|                                              |         | 9,256,514    |
| <b>Insurance - 0.9%</b>                      |         |              |
| Greenlight Capital Re Cl. A <sup>a</sup>     | 13,500  | 318,195      |
| Hilltop Holdings <sup>a</sup>                | 121,400 | 1,413,096    |
| Independence Holding                         | 95,800  | 555,640      |
|                                              |         | 2,286,931    |

|                                                       |         |            |
|-------------------------------------------------------|---------|------------|
| <b>Real Estate Investment Trusts - 0.6%</b>           |         |            |
| Colony Financial                                      | 49,717  | 1,012,735  |
| Vestin Realty Mortgage II <sup>a</sup>                | 214,230 | 467,022    |
|                                                       |         | <hr/>      |
|                                                       |         | 1,479,757  |
| <hr/>                                                 |         |            |
| <b>Securities Brokers - 3.5%</b>                      |         |            |
| <b>Cowen Group Cl. A</b> <sup>a</sup>                 | 340,534 | 2,015,961  |
| Diamond Hill Investment Group                         | 24,479  | 1,572,286  |
| <b>FBR Capital Markets</b> <sup>a</sup>               | 326,600 | 2,018,388  |
| International Assets Holding Corporation <sup>a</sup> | 17,310  | 251,688    |
| Sanders Morris Harris Group                           | 199,000 | 1,094,500  |
| Thomas Weisel Partners Group <sup>a</sup>             | 376,200 | 1,422,036  |
|                                                       |         | <hr/>      |
|                                                       |         | 8,374,859  |
| <hr/>                                                 |         |            |
| <b>Securities Exchanges - 0.5%</b>                    |         |            |
| Bolsa Mexicana de Valores <sup>a</sup>                | 948,500 | 1,113,664  |
|                                                       |         | <hr/>      |
| <b>Total</b> (Cost \$27,714,174)                      |         | 22,511,725 |
|                                                       |         | <hr/>      |
| <b>Financial Services 9.2%</b>                        |         |            |
| <b>Diversified Financial Services - 1.1%</b>          |         |            |
| Encore Capital Group <sup>a</sup>                     | 32,000  | 556,800    |
| <b>World Acceptance</b> <sup>a,b</sup>                | 61,351  | 2,198,206  |
|                                                       |         | <hr/>      |
|                                                       |         | 2,755,006  |
| <hr/>                                                 |         |            |
| <b>Information and Processing - 0.3%</b>              |         |            |
| Value Line                                            | 32,487  | 815,749    |
|                                                       |         | <hr/>      |
| <b>Insurance Brokers - 0.2%</b>                       |         |            |
| Western Financial Group                               | 148,000 | 367,930    |
|                                                       |         | <hr/>      |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS.

December 31, 2009

|                                                       | SHARES  | VALUE      |
|-------------------------------------------------------|---------|------------|
| <b>Financial Services (continued)</b>                 |         |            |
| <b>Investment Management - 4.6%</b>                   |         |            |
| BKF Capital Group <sup>a</sup>                        | 130,200 | \$ 121,086 |
| Dundee Corporation Cl. A <sup>a</sup>                 | 140,200 | 1,626,071  |
| Endeavour Financial <sup>b</sup>                      | 393,200 | 665,453    |
| <b>Epoch Holding Corporation</b>                      | 196,500 | 2,053,425  |
| Evercore Partners Cl. A                               | 13,200  | 401,280    |
| JZ Capital Partners                                   | 245,666 | 957,878    |
| MVC Capital                                           | 136,200 | 1,607,160  |
| Queen City Investments                                | 948     | 957,480    |
| Sceptre Investment Counsel                            | 78,000  | 417,651    |
| U.S. Global Investors Cl. A                           | 91,500  | 1,126,365  |
| VZ Holding                                            | 15,000  | 1,141,616  |
|                                                       |         | 11,075,465 |
| <b>Special Purpose Acquisition Corporation - 0.5%</b> |         |            |
| Shellproof <sup>a</sup>                               | 29,192  | 16,503     |
| Westway Group                                         | 220,000 | 1,122,000  |
|                                                       |         | 1,138,503  |
| <b>Specialty Finance - 0.2%</b>                       |         |            |
| NGP Capital Resources                                 | 68,080  | 553,490    |
| <b>Other Financial Services - 2.3%</b>                |         |            |
| <b>Kennedy-Wilson Holdings <sup>a</sup></b>           | 631,766 | 5,654,306  |
| <b>Total</b> (Cost \$20,367,893)                      |         | 22,360,449 |
| <b>Health 9.7%</b>                                    |         |            |
| <b>Commercial Services - 0.4%</b>                     |         |            |
| PAREXEL International <sup>a</sup>                    | 40,000  | 564,000    |
| PDI <sup>a,b</sup>                                    | 104,800 | 505,136    |
|                                                       |         | 1,069,136  |
| <b>Drugs and Biotech - 1.2%</b>                       |         |            |
| Adolor Corporation <sup>a,b</sup>                     | 460,500 | 672,330    |
| Hi-Tech Pharmacal <sup>a,b</sup>                      | 17,700  | 496,485    |
| Simcere Pharmaceutical Group                          |         |            |
| ADR <sup>a,b</sup>                                    | 25,700  | 237,468    |
| Sinovac Biotech <sup>a,b</sup>                        | 23,900  | 151,287    |
| Strategic Diagnostics <sup>a</sup>                    | 150,000 | 207,000    |
| Theragenics Corporation <sup>a,b</sup>                | 306,900 | 411,246    |
| ViroPharma <sup>a</sup>                               | 77,000  | 646,030    |
|                                                       |         | 2,821,846  |

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Health Services - 2.5%

|                                      |         |           |
|--------------------------------------|---------|-----------|
| Advisory Board (The) <sup>a,b</sup>  | 51,700  | 1,585,122 |
| Air Methods <sup>a,b</sup>           | 8,007   | 269,195   |
| Computer Programs and Systems        | 3,800   | 174,990   |
| eResearch Technology <sup>a</sup>    | 127,000 | 763,270   |
| Gentiva Health Services <sup>a</sup> | 23,000  | 621,230   |
| HMS Holdings <sup>a,b</sup>          | 11,900  | 579,411   |
| On Assignment <sup>a</sup>           | 41,100  | 293,865   |
| PharMerica Corporation <sup>a</sup>  | 40,000  | 635,200   |
| Psychemedics Corporation             | 37,500  | 275,625   |
| Res-Care <sup>a</sup>                | 59,220  | 663,264   |
| U.S. Physical Therapy <sup>a</sup>   | 10,000  | 169,300   |

6,030,472

Medical Products and Devices - 5.6%

|                                         |         |           |
|-----------------------------------------|---------|-----------|
| Allied Healthcare Products <sup>a</sup> | 226,798 | 1,215,637 |
| Atrion Corporation                      | 5,500   | 856,460   |
| CAS Medical Systems <sup>a,b</sup>      | 62,600  | 128,956   |

Health (continued)

Medical Products and Devices (continued)

|                                        | SHARES  | VALUE      |
|----------------------------------------|---------|------------|
| Cynosure Cl. A <sup>a,b</sup>          | 18,500  | \$ 212,565 |
| <b>Exactech</b> <sup>a,b</sup>         | 121,000 | 2,094,510  |
| Kensey Nash <sup>a</sup>               | 20,000  | 510,000    |
| Medical Action Industries <sup>a</sup> | 125,250 | 2,011,515  |
| MEDTOX Scientific <sup>a</sup>         | 20,000  | 155,000    |
| Mesa Laboratories                      | 45,619  | 1,202,061  |
| NMT Medical <sup>a</sup>               | 228,500 | 564,395    |
| Somanetics Corporation <sup>a,b</sup>  | 75,247  | 1,320,585  |
| Syneron Medical <sup>a,b</sup>         | 69,200  | 723,140    |
| Utah Medical Products                  | 42,300  | 1,240,236  |
| Young Innovations                      | 61,450  | 1,522,731  |

13,757,791

Total (Cost \$19,413,170)

23,679,245

Industrial Products 21.4%

Automotive - 1.0%

|                                       |         |           |
|---------------------------------------|---------|-----------|
| Norstar Founders Group <sup>a,c</sup> | 771,500 | 36,319    |
| SORL Auto Parts <sup>a,b</sup>        | 87,677  | 747,885   |
| US Auto Parts Network <sup>a,b</sup>  | 280,900 | 1,460,680 |
| Wonder Auto Technology <sup>a</sup>   | 14,500  | 170,520   |

2,415,404

Building Systems and Components

- 2.2%

|                                   |        |           |
|-----------------------------------|--------|-----------|
| AAON                              | 73,000 | 1,422,770 |
| Apogee Enterprises                | 57,900 | 810,600   |
| Drew Industries <sup>a,b</sup>    | 90,000 | 1,858,500 |
| LSI Industries                    | 79,812 | 628,919   |
| NCI Building Systems <sup>a</sup> | 42,000 | 76,020    |
| Preformed Line Products           | 16,000 | 700,800   |

|                                                       |         |           |
|-------------------------------------------------------|---------|-----------|
|                                                       |         | 5,497,609 |
|                                                       |         |           |
| <b>Construction Materials - 1.9%</b>                  |         |           |
| Ash Grove Cement                                      | 8,000   | 1,168,000 |
| Monarch Cement                                        | 52,303  | 1,595,241 |
| Trex Company <sup>a</sup>                             | 90,000  | 1,764,000 |
|                                                       |         |           |
|                                                       |         | 4,527,241 |
|                                                       |         |           |
| <b>Industrial Components - 1.6%</b>                   |         |           |
| <b>Deswell Industries</b>                             | 574,371 | 2,320,459 |
| Graham Corporation                                    | 34,500  | 714,150   |
| Powell Industries <sup>a</sup>                        | 26,800  | 845,004   |
|                                                       |         |           |
|                                                       |         | 3,879,613 |
|                                                       |         |           |
| <b>Machinery - 5.9%</b>                               |         |           |
| Burnham Holdings Cl. A                                | 95,000  | 888,250   |
| Columbus McKinnon <sup>a</sup>                        | 10,100  | 137,966   |
| Eastern Company (The)                                 | 39,750  | 533,843   |
| FreightCar America                                    | 41,000  | 813,030   |
| Hardinge                                              | 260,000 | 1,430,000 |
| <b>Hollsys Automation Technologies <sup>a,b</sup></b> |         |           |
|                                                       | 168,492 | 2,023,589 |
| Hurco Companies <sup>a</sup>                          | 56,666  | 838,657   |
| Jinpan International                                  | 17,312  | 825,263   |
| K-Tron International <sup>a</sup>                     | 8,426   | 916,243   |
| Rofin-Sinar Technologies <sup>a</sup>                 | 37,000  | 873,570   |
| Sun Hydraulics                                        | 65,425  | 1,717,406 |
| <b>Tennant Company</b>                                | 92,300  | 2,417,337 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders |

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## Royce Micro-Cap Trust

### Schedule of Investments

|                                              | SHARES         | VALUE             |
|----------------------------------------------|----------------|-------------------|
| <b>Industrial Products (continued)</b>       |                |                   |
| Machinery (continued)                        |                |                   |
| Williams Controls <sup>a</sup>               | 125,000        | \$ 987,500        |
|                                              |                | <u>14,402,654</u> |
| Metal Fabrication and Distribution - 2.8%    |                |                   |
| Central Steel & Wire                         | 1,088          | 761,600           |
| CompX International Cl. A                    | 107,500        | 813,775           |
| Encore Wire                                  | 15,000         | 316,050           |
| Foster (L.B.) Company Cl. A <sup>a</sup>     | 11,100         | 330,891           |
| Friedman Industries                          | 2,025          | 11,806            |
| Fushi Copperweld <sup>a</sup>                | 36,583         | 370,220           |
| Horsehead Holding Corporation <sup>a</sup>   | 13,800         | 175,950           |
| Ladish Company <sup>a</sup>                  | 45,000         | 678,600           |
| NN <sup>a</sup>                              | 114,300        | 452,628           |
| Olympic Steel                                | 22,000         | 716,760           |
| <b>RTI International Metals <sup>a</sup></b> | <b>84,900</b>  | <b>2,136,933</b>  |
|                                              |                | <u>6,765,213</u>  |
| Miscellaneous Manufacturing - 2.9%           |                |                   |
| AZZ <sup>a</sup>                             | 2,000          | 65,400            |
| Griffon Corporation <sup>a</sup>             | 89,500         | 1,093,690         |
| <b>PMFG <sup>a</sup></b>                     | <b>143,800</b> | <b>2,330,998</b>  |
| Quixote Corporation <sup>a,b</sup>           | 183,400        | 1,168,258         |
| Raven Industries                             | 58,400         | 1,855,368         |
| Synalloy Corporation                         | 58,200         | 509,250           |
|                                              |                | <u>7,022,964</u>  |
| Pumps, Valves and Bearings - 0.1%            |                |                   |
| CIRCOR International                         | 14,000         | 352,520           |
| Specialty Chemicals and Materials - 2.3%     |                |                   |
| Aceto Corporation                            | 72,219         | 371,928           |
| Balchem Corporation                          | 42,250         | 1,415,797         |
| Hawkins                                      | 69,866         | 1,525,175         |
| Park Electrochemical                         | 15,400         | 425,656           |
| Rogers Corporation <sup>a,b</sup>            | 58,400         | 1,770,104         |
|                                              |                | <u>5,508,660</u>  |
| Textiles - 0.6%                              |                |                   |
| Interface Cl. A                              | 27,000         | 224,370           |
| J.G. Boswell Company                         | 2,490          | 1,344,600         |
|                                              |                | <u>1,568,970</u>  |

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Other Industrial Products - 0.1%

|                               |        |         |
|-------------------------------|--------|---------|
| Research Frontiers <u>a,b</u> | 50,000 | 189,500 |
|-------------------------------|--------|---------|

|                                  |  |            |
|----------------------------------|--|------------|
| <b>Total</b> (Cost \$35,893,193) |  | 52,130,348 |
|----------------------------------|--|------------|

**Industrial Services 13.7%**

Commercial Services - 5.4%

|                                                |         |           |
|------------------------------------------------|---------|-----------|
| Acacia Research-Acacia Technologies <u>a,b</u> | 68,290  | 622,122   |
| ATC Technology <u>a</u>                        | 25,200  | 601,020   |
| CBIZ <u>a</u>                                  | 47,000  | 361,900   |
| Diamond Management & Technology Consultants    | 138,100 | 1,017,797 |
| Exponent <u>a</u>                              | 58,400  | 1,625,856 |
| Forrester Research <u>a</u>                    | 54,900  | 1,424,655 |
| Global Sources <u>a</u>                        | 33,330  | 208,313   |
| Heidrick & Struggles International             | 10,000  | 312,400   |
| Heritage-Crystal Clean <u>a</u>                | 118,283 | 1,237,240 |
| Kforce <u>a</u>                                | 60,000  | 750,000   |

**Industrial Services (continued)**

Commercial Services (continued)

|                                         |         |                   |
|-----------------------------------------|---------|-------------------|
| Rentrak Corporation <u>a,b</u>          | 58,300  | \$ 1,030,161      |
| Spectrum Group International <u>a,b</u> | 6,925   | 13,019            |
| <b>Spherion Corporation <u>a</u></b>    | 436,600 | 2,453,692         |
| Team <u>a</u>                           | 83,000  | 1,561,230         |
|                                         |         | <u>13,219,405</u> |

**Engineering and Construction - 1.7%**

|                                         |         |                  |
|-----------------------------------------|---------|------------------|
| Cavco Industries <u>a</u>               | 12,491  | 448,677          |
| Insituform Technologies Cl. A <u>a</u>  | 34,300  | 779,296          |
| Integrated Electrical Services <u>a</u> | 132,000 | 772,200          |
| Layne Christensen <u>a</u>              | 8,200   | 235,422          |
| MYR Group <u>a,b</u>                    | 28,500  | 515,280          |
| Skyline Corporation                     | 62,100  | 1,142,640        |
| Sterling Construction <u>a</u>          | 11,700  | 224,406          |
|                                         |         | <u>4,117,921</u> |

**Food, Tobacco and Agriculture - 1.4%**

|                            |         |                  |
|----------------------------|---------|------------------|
| Farmer Bros.               | 47,400  | 935,676          |
| Hanfeng Evergreen <u>a</u> | 51,100  | 361,074          |
| Origin Agritech <u>a,b</u> | 161,888 | 1,905,421        |
| Zhongpin <u>a</u>          | 12,300  | 192,003          |
|                            |         | <u>3,394,174</u> |

**Industrial Distribution - 1.0%**

|                      |        |                  |
|----------------------|--------|------------------|
| Houston Wire & Cable | 67,375 | 801,762          |
| Lawson Products      | 70,269 | 1,240,248        |
| Toshin Group         | 18,600 | 322,893          |
|                      |        | <u>2,364,903</u> |

**Printing - 0.7%**

|                     |        |         |
|---------------------|--------|---------|
| Bowne & Co.         | 68,989 | 460,847 |
| Courier Corporation | 30,450 | 433,912 |



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|                                               |         |            |
|-----------------------------------------------|---------|------------|
| CSS Industries                                | 18,043  | 350,756    |
| Multi-Color Corporation                       | 28,264  | 345,103    |
|                                               |         | <hr/>      |
|                                               |         | 1,590,618  |
|                                               |         | <hr/>      |
| <b>Transportation and Logistics - 3.5%</b>    |         |            |
| Dynamex <sup>a,b</sup>                        | 86,000  | 1,556,600  |
| Forward Air                                   | 50,700  | 1,270,035  |
| Frozen Food Express Industries                | 157,000 | 518,100    |
| Marten Transport <sup>a</sup>                 | 8,550   | 153,473    |
| Pacer International <sup>a</sup>              | 35,000  | 110,600    |
| Patriot Transportation Holding <sup>a,b</sup> | 19,000  | 1,794,740  |
| Transat A.T. Cl. B <sup>a</sup>               | 31,800  | 641,564    |
| <b>Universal Truckload Services</b>           | 134,200 | 2,429,020  |
|                                               |         | <hr/>      |
|                                               |         | 8,474,132  |
|                                               |         | <hr/>      |
| <b>Other Industrial Services - 0.0%</b>       |         |            |
| American Ecology                              | 6,000   | 102,240    |
|                                               |         | <hr/>      |
| <b>Total</b> (Cost \$27,609,802)              |         | 33,263,393 |
|                                               |         | <hr/>      |
| <b>Natural Resources 11.3%</b>                |         |            |
| <b>Energy Services - 4.6%</b>                 |         |            |
| CE Franklin <sup>a</sup>                      | 81,350  | 552,366    |
| Dawson Geophysical <sup>a,b</sup>             | 53,213  | 1,229,752  |
| Dril-Quip <sup>a</sup>                        | 22,500  | 1,270,800  |
| Gulf Island Fabrication                       | 29,116  | 612,309    |
| ION Geophysical <sup>a</sup>                  | 50,000  | 296,000    |
| Lufkin Industries                             | 1,000   | 73,200     |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS.

December 31, 2009

|                                               | SHARES         | VALUE             |
|-----------------------------------------------|----------------|-------------------|
| <b>Natural Resources (continued)</b>          |                |                   |
| <b>Energy Services (continued)</b>            |                |                   |
| North American Energy Partners <sup>a,b</sup> | 50,000         | \$ 363,000        |
| OYO Geospace <sup>a,b</sup>                   | 7,130          | 305,806           |
| Pason Systems                                 | 139,200        | 1,550,586         |
| Pioneer Drilling <sup>a</sup>                 | 57,500         | 454,250           |
| T-3 Energy Services <sup>a,b</sup>            | 39,150         | 998,325           |
| Tesco Corporation <sup>a</sup>                | 50,000         | 645,500           |
| <b>Willbros Group <sup>a</sup></b>            | <b>159,200</b> | <b>2,685,704</b>  |
| World Energy Solutions <sup>a</sup>           | 72,920         | 210,010           |
|                                               |                | 11,247,608        |
| <b>Oil and Gas - 0.3%</b>                     |                |                   |
| Approach Resources <sup>a</sup>               | 12,000         | 92,640            |
| GeoMet <sup>a,b</sup>                         | 75,000         | 109,500           |
| GeoResources <sup>a,b</sup>                   | 30,000         | 409,800           |
|                                               |                | 611,940           |
| <b>Precious Metals and Mining - 3.6%</b>      |                |                   |
| Alamos Gold <sup>a</sup>                      | 47,100         | 565,641           |
| Allied Nevada Gold <sup>a</sup>               | 123,700        | 1,865,396         |
| Aurizon Mines <sup>a</sup>                    | 197,000        | 886,500           |
| Brush Engineered Materials <sup>a,b</sup>     | 27,000         | 500,580           |
| Chesapeake Gold <sup>a</sup>                  | 20,000         | 158,340           |
| Exeter Resource <sup>a,b</sup>                | 170,000        | 1,207,000         |
| Gammon Gold <sup>a</sup>                      | 83,836         | 923,035           |
| Midway Gold <sup>a</sup>                      | 345,000        | 267,199           |
| Minefinders Corporation <sup>a</sup>          | 36,000         | 370,800           |
| New Gold <sup>a</sup>                         | 141,200        | 513,968           |
| Northgate Minerals <sup>a</sup>               | 270,000        | 831,600           |
| Seabridge Gold <sup>a</sup>                   | 16,700         | 405,309           |
| Victoria Gold <sup>a</sup>                    | 200,000        | 130,038           |
| Vista Gold <sup>a</sup>                       | 50,000         | 122,500           |
|                                               |                | 8,747,906         |
| <b>Real Estate - 2.8%</b>                     |                |                   |
| Avatar Holdings <sup>a</sup>                  | 50,104         | 852,269           |
| Consolidated-Tomoka Land                      | 29,100         | 1,016,754         |
| PICO Holdings <sup>a</sup>                    | 45,700         | 1,495,761         |
| Pope Resources L.P.                           | 57,205         | 1,407,243         |
| Tejon Ranch <sup>a</sup>                      | 65,100         | 1,902,222         |
| ZipRealty <sup>a</sup>                        | 25,000         | 94,000            |
|                                               |                | 6,768,249         |
| <b>Total (Cost \$19,726,498)</b>              |                | <b>27,375,703</b> |

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**Technology 18.4%**

**Aerospace and Defense - 2.4%**

|                                               |         |           |
|-----------------------------------------------|---------|-----------|
| Applied Signal Technology                     | 18,500  | 356,865   |
| Ducommun                                      | 72,100  | 1,348,991 |
| HEICO Corporation                             | 33,600  | 1,489,488 |
| Innovative Solutions and Support <sup>a</sup> | 100,000 | 459,000   |
| Integral Systems <sup>a</sup>                 | 161,782 | 1,401,032 |
| SIFCO Industries                              | 45,800  | 654,482   |
|                                               |         | <hr/>     |
|                                               |         | 5,709,858 |
|                                               |         | <hr/>     |

**Components and Systems - 3.5%**

|                                      |         |           |
|--------------------------------------|---------|-----------|
| Frequency Electronics <sup>a,b</sup> | 275,000 | 1,413,500 |
| Methode Electronics                  | 206,400 | 1,791,552 |
| Newport Corporation <sup>a</sup>     | 55,900  | 513,721   |

**Technology (continued)**

**Components and Systems (continued)**

|                                               |         |            |
|-----------------------------------------------|---------|------------|
| OPTEX Company                                 | 14,200  | \$ 128,347 |
| Richardson Electronics                        | 250,900 | 1,472,783  |
| Rimage Corporation <sup>a</sup>               | 79,200  | 1,373,328  |
| Silicon Graphics International <sup>a,b</sup> | 90,000  | 630,900    |
| Technitrol                                    | 150,000 | 657,000    |
| TransAct Technologies <sup>a</sup>            | 78,600  | 545,484    |
|                                               |         | <hr/>      |
|                                               |         | 8,526,615  |
|                                               |         | <hr/>      |

**Distribution - 0.4%**

|                         |        |           |
|-------------------------|--------|-----------|
| Agilysys                | 90,000 | 819,000   |
| ScanSource <sup>a</sup> | 7,600  | 202,920   |
|                         |        | <hr/>     |
|                         |        | 1,021,920 |
|                         |        | <hr/>     |

**Internet Software and Services - 1.1%**

|                                          |         |           |
|------------------------------------------|---------|-----------|
| ActivIdentity Corporation <sup>a,b</sup> | 160,000 | 376,000   |
| iPass                                    | 210,000 | 218,400   |
| Marchex Cl. B                            | 95,000  | 482,600   |
| Support.com <sup>a</sup>                 | 380,000 | 1,003,200 |
| WebMediaBrands <sup>a</sup>              | 525,000 | 472,500   |
|                                          |         | <hr/>     |
|                                          |         | 2,552,700 |
|                                          |         | <hr/>     |

**IT Services - 4.5%**

|                                         |         |            |
|-----------------------------------------|---------|------------|
| AsiaInfo Holdings <sup>a,b</sup>        | 3,500   | 106,645    |
| <b>Computer Task Group <sup>a</sup></b> | 256,100 | 2,051,361  |
| <b>iGATE Corporation</b>                | 258,400 | 2,584,000  |
| <b>Sapient Corporation <sup>a</sup></b> | 500,000 | 4,135,000  |
| Syntel                                  | 43,300  | 1,646,699  |
| Yucheng Technologies <sup>a</sup>       | 55,060  | 469,662    |
|                                         |         | <hr/>      |
|                                         |         | 10,993,367 |
|                                         |         | <hr/>      |

**Semiconductors and Equipment - 2.6%**

|                                         |         |           |
|-----------------------------------------|---------|-----------|
| Advanced Energy Industries <sup>a</sup> | 7,600   | 114,608   |
| ATMI <sup>a,b</sup>                     | 6,400   | 119,168   |
| Coherent <sup>a</sup>                   | 34,000  | 1,010,820 |
| Exar Corporation <sup>a</sup>           | 121,208 | 861,789   |
| Ikanos Communications <sup>a</sup>      | 75,000  | 140,250   |
| Micrel                                  | 80,000  | 656,000   |

**SHARES VALUE**

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|                                      |         |           |
|--------------------------------------|---------|-----------|
| Microtune <sup>a</sup>               | 362,000 | 818,120   |
| PLX Technology <sup>a</sup>          | 80,000  | 258,400   |
| TTM Technologies <sup>a</sup>        | 114,400 | 1,319,032 |
| Virage Logic <sup>a,b</sup>          | 200,000 | 1,100,000 |
|                                      |         | <hr/>     |
|                                      |         | 6,398,187 |
|                                      |         | <hr/>     |
| <b>Software - 3.0%</b>               |         |           |
| ACI Worldwide <sup>a</sup>           | 69,600  | 1,193,640 |
| Actuate Corporation <sup>a</sup>     | 35,000  | 149,800   |
| American Software Cl.A               | 63,700  | 382,200   |
| Bottomline Technologies <sup>a</sup> | 15,800  | 277,606   |
| Double-Take Software <sup>a,b</sup>  | 22,400  | 223,776   |
| Fundtech <sup>a</sup>                | 51,000  | 625,770   |
| Geeknet <sup>a,b</sup>               | 795,000 | 946,050   |
| <b>Pegasystems</b>                   | 84,000  | 2,856,000 |
| PLATO Learning <sup>a</sup>          | 140,000 | 610,400   |
|                                      |         | <hr/>     |
|                                      |         | 7,265,242 |
|                                      |         | <hr/>     |
| <b>Telecommunications - 0.9%</b>     |         |           |
| Anaren <sup>a</sup>                  | 8,000   | 120,400   |
| Atlantic Tele-Network                | 14,700  | 808,647   |
| Cogo Group <sup>a,b</sup>            | 30,600  | 225,522   |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders |

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## Royce Micro-Cap Trust

December 31, 2009

## Schedule of Investments

|                                                                                                                                                                                                                                                        | SHARES    | VALUE              |                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------|---------------------------------------------------------------------------------------|
| <b>Technology (continued)</b>                                                                                                                                                                                                                          |           |                    |                                                                                       |
| <b>Telecommunications (continued)</b>                                                                                                                                                                                                                  |           |                    |                                                                                       |
| Diguang International Development <sup>a</sup>                                                                                                                                                                                                         | 230,000   | \$ 59,800          |                                                                                       |
| Globecomm Systems <sup>a</sup>                                                                                                                                                                                                                         | 22,730    | 177,749            |                                                                                       |
| PC-Tel <sup>a</sup>                                                                                                                                                                                                                                    | 44,100    | 261,072            |                                                                                       |
| Zhone Technologies <sup>a</sup>                                                                                                                                                                                                                        | 1,331,600 | 545,423            |                                                                                       |
|                                                                                                                                                                                                                                                        |           | <u>2,198,613</u>   |                                                                                       |
| <b>Total</b> (Cost \$30,128,023)                                                                                                                                                                                                                       |           | <u>44,666,502</u>  |                                                                                       |
| <b>Miscellaneous <sup>d</sup> 4.9%</b>                                                                                                                                                                                                                 |           |                    |                                                                                       |
| <b>Total</b> (Cost \$8,737,928)                                                                                                                                                                                                                        |           | <u>11,988,553</u>  |                                                                                       |
| <b>TOTAL COMMON STOCKS</b>                                                                                                                                                                                                                             |           |                    |                                                                                       |
| (Cost \$211,379,249)                                                                                                                                                                                                                                   |           | <u>268,125,956</u> |                                                                                       |
| <b>PREFERRED STOCK 0.4%</b>                                                                                                                                                                                                                            |           |                    |                                                                                       |
| <b>Seneca Foods Conv. <sup>a</sup></b>                                                                                                                                                                                                                 |           |                    |                                                                                       |
| (Cost \$578,719)                                                                                                                                                                                                                                       | 45,409    | <u>998,998</u>     |                                                                                       |
| <b>REPURCHASE AGREEMENT 14.0%</b>                                                                                                                                                                                                                      |           |                    |                                                                                       |
| State Street Bank & Trust Company,<br>0.005% dated 12/31/09, due 1/4/10,<br>maturity value \$34,077,019<br>(collateralized by obligations of various<br>U.S. Government Agencies, 7.00% due<br>3/15/10, valued at \$34,931,250)<br>(Cost \$34,077,000) |           | <u>34,077,000</u>  |                                                                                       |
|                                                                                                                                                                                                                                                        |           |                    | <b>VALUE</b>                                                                          |
|                                                                                                                                                                                                                                                        |           |                    | <b>COLLATERAL RECEIVED FOR<br/>SECURITIES LOANED 4.2%</b>                             |
|                                                                                                                                                                                                                                                        |           |                    | Money Market Funds                                                                    |
|                                                                                                                                                                                                                                                        |           |                    | Federated Government Obligations Fund<br>(7 day yield-0.0582%)<br>(Cost \$10,155,020) |
|                                                                                                                                                                                                                                                        |           |                    | <u>\$ 10,155,020</u>                                                                  |
|                                                                                                                                                                                                                                                        |           |                    | <b>TOTAL INVESTMENTS 128.9%</b>                                                       |
|                                                                                                                                                                                                                                                        |           |                    | (Cost \$256,189,988)                                                                  |
|                                                                                                                                                                                                                                                        |           |                    | <u>313,356,974</u>                                                                    |
|                                                                                                                                                                                                                                                        |           |                    | <b>LIABILITIES LESS CASH<br/>AND OTHER ASSETS (4.2%)</b>                              |
|                                                                                                                                                                                                                                                        |           |                    | <u>(10,200,854)</u>                                                                   |
|                                                                                                                                                                                                                                                        |           |                    | <b>PREFERRED STOCK (24.7%)</b>                                                        |
|                                                                                                                                                                                                                                                        |           |                    | <u>(60,000,000)</u>                                                                   |

**NET ASSETS APPLICABLE TO  
COMMON  
STOCKHOLDERS 100.0%**

**\$ 243,156,120**

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New additions in 2009.

<sup>a</sup> Non-income producing.

<sup>b</sup> All or a portion of these securities were on loan at December 31, 2009. Total market value of loaned securities at December 31, 2009 was \$10,460,997.

<sup>c</sup> Securities for which market quotations are not readily available represent 0.0% of net assets. These securities have been valued at their fair value under procedures established by the Fund's Board of Directors.

<sup>d</sup> Includes securities first acquired in 2009 and less than 1% of net assets applicable to Common Stockholders.

**Bold indicates the Fund's 20 largest equity holdings in terms of December 31, 2009 market value.**

**TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$258,789,950. At December 31, 2009, net unrealized appreciation for all securities was \$54,567,024, consisting of aggregate gross unrealized appreciation of \$84,696,749 and aggregate gross unrealized depreciation of \$30,129,725. The primary difference between book and tax basis cost is the timing of the recognition of losses on securities sold.

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## Royce Micro-Cap Trust

December 31, 2009

## Statement of Assets and Liabilities

**ASSETS:**

|                                                                         |                    |
|-------------------------------------------------------------------------|--------------------|
| Total investments at value (including collateral on loaned securities)* | \$ 279,279,974     |
| Repurchase agreements (at cost and value)                               | 34,077,000         |
| Cash and foreign currency                                               | 12,813             |
| Receivable for investments sold                                         | 216,158            |
| Receivable for dividends and interest                                   | 305,515            |
| Prepaid expenses and other assets                                       | 16,139             |
| <b>Total Assets</b>                                                     | <b>313,907,599</b> |

**LIABILITIES:**

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Payable for collateral on loaned securities      | 10,155,020        |
| Payable for investments purchased                | 164,714           |
| Payable for investment advisory fee              | 246,743           |
| Preferred dividends accrued but not yet declared | 80,000            |
| Accrued expenses                                 | 105,002           |
| <b>Total Liabilities</b>                         | <b>10,751,479</b> |

**PREFERRED STOCK:**

|                                                                                                                      |                   |
|----------------------------------------------------------------------------------------------------------------------|-------------------|
| 6.00% Cumulative Preferred Stock - \$0.001 par value, \$25 liquidation value per share; 2,400,000 shares outstanding | 60,000,000        |
| <b>Total Preferred Stock</b>                                                                                         | <b>60,000,000</b> |

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS** **\$ 243,156,120**

**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|                                                                                                                           |                       |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Common Stock paid-in capital - \$0.001 par value per share; 27,333,915 shares outstanding (150,000,000 shares authorized) | \$ 225,210,492        |
| Undistributed net investment income (loss)                                                                                | (2,035,268)           |
| Accumulated net realized gain (loss) on investments and foreign currency                                                  | (37,100,606)          |
| Net unrealized appreciation (depreciation) on investments and foreign currency                                            | 57,161,502            |
| Preferred dividends accrued but not yet declared                                                                          | (80,000)              |
| <b>Net Assets applicable to Common Stockholders (net asset value per share - \$8.90)</b>                                  | <b>\$ 243,156,120</b> |

|                                                                                             |                |
|---------------------------------------------------------------------------------------------|----------------|
| *Investments at identified cost (including \$10,155,020 of collateral on loaned securities) | \$ 222,112,988 |
| Market value of loaned securities                                                           | 10,460,997     |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**

2009 Annual Report to  
Stockholders | 41

## Royce Micro-Cap Trust

Year Ended December 31, 2009

**Statement of Operations****INVESTMENT INCOME:**

Income:

Dividends\*

Non-Affiliated Companies

Affiliated Companies

Interest

Securities lending

Total income

Expenses:

Investment advisory fees

Stockholder reports

Custody and transfer agent fees

Professional fees

Directors fees

Administrative and office facilities

Other expenses

Total expenses

Fees waived by investment adviser

Net expenses

Net investment income (loss)

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:**

Net realized gain (loss):

Investments in Non-Affiliated Companies

Investments in Affiliated Companies

Foreign currency transactions

Net change in unrealized appreciation (depreciation):

Investments and foreign currency translations

Other assets and liabilities denominated in foreign currency

Net realized and unrealized gain (loss) on investments and foreign currency

**NET INCREASE (DECREASE) IN NET ASSETS FROM INVESTMENT OPERATIONS****DISTRIBUTIONS TO PREFERRED STOCKHOLDERS****NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS**

\* Net of foreign withholding tax of \$33,276.



## Royce Micro-Cap Trust

### Statement of Changes in Net Assets

|                                                                                                                               | Year ended<br>12/31/09 | Year ended<br>12/31/08 |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>                                                                                                 |                        |                        |
| Net investment income (loss)                                                                                                  | \$ 37,740              | \$ 408,780             |
| Net realized gain (loss) on investments and foreign currency                                                                  | (8,011,984)            | (6,824,087)            |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency                                      | 87,498,482             | (138,088,528)          |
| Net increase (decrease) in net assets from investment operations                                                              | 79,524,238             | (144,503,835)          |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                                                                               |                        |                        |
| Net investment income                                                                                                         | (1,009,948)            | (362,850)              |
| Net realized gain on investments and foreign currency                                                                         |                        | (3,237,150)            |
| Return of capital                                                                                                             | (2,590,052)            |                        |
| Total distributions to Preferred Stockholders                                                                                 | (3,600,000)            | (3,600,000)            |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b>                     | <b>75,924,238</b>      | <b>(148,103,835)</b>   |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                                                                  |                        |                        |
| Net investment income                                                                                                         |                        | (2,356,920)            |
| Net realized gain on investments and foreign currency                                                                         |                        | (20,757,478)           |
| Return of capital                                                                                                             | (5,846,946)            | (6,834,718)            |
| Total distributions to Common Stockholders                                                                                    | (5,846,946)            | (29,949,116)           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>                                                                                            |                        |                        |
| Reinvestment of distributions to Common Stockholders                                                                          | 3,224,397              | 16,431,866             |
| Total capital stock transactions                                                                                              | 3,224,397              | 16,431,866             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>                                                | <b>73,301,689</b>      | <b>(161,621,085)</b>   |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>                                                                          |                        |                        |
| Beginning of year                                                                                                             | 169,854,431            | 331,475,516            |
| End of year (including undistributed net investment income (loss) of \$(2,035,268) at 12/31/09 and \$(1,117,851) at 12/31/08) | \$ 243,156,120         | \$ 169,854,431         |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders | 43

## Royce Micro-Cap Trust

### Financial Highlights

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

#### Years ended December 31,

|                                                                                                           | 2009    | 2008     | 2007     | 2006     | 2005     |
|-----------------------------------------------------------------------------------------------------------|---------|----------|----------|----------|----------|
| <b>NET ASSET VALUE,<br/>BEGINNING OF PERIOD</b>                                                           | \$ 6.39 | \$ 13.48 | \$ 14.77 | \$ 13.43 | \$ 14.34 |
| <b>INVESTMENT OPERATIONS:</b>                                                                             |         |          |          |          |          |
| Net investment income (loss)                                                                              | 0.00    | 0.02     | (0.00)   | 0.01     | (0.03)   |
| Net realized and unrealized gain (loss) on investments and foreign currency                               | 2.88    | (5.70)   | 0.24     | 3.04     | 1.14     |
| Total investment operations                                                                               | 2.88    | (5.68)   | 0.24     | 3.05     | 1.11     |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                                                           |         |          |          |          |          |
| Net investment income                                                                                     | (0.04)  | (0.01)   | (0.01)   | (0.02)   |          |
| Net realized gain on investments and foreign currency                                                     |         | (0.13)   | (0.14)   | (0.14)   | (0.17)   |
| Return of capital                                                                                         | (0.09)  |          |          |          |          |
| Total distributions to Preferred Stockholders                                                             | (0.13)  | (0.14)   | (0.15)   | (0.16)   | (0.17)   |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b> |         |          |          |          |          |
|                                                                                                           | 2.75    | (5.82)   | 0.09     | 2.89     | 0.94     |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                                              |         |          |          |          |          |
| Net investment income                                                                                     |         | (0.09)   | (0.08)   | (0.20)   |          |
| Net realized gain on investments and foreign currency                                                     |         | (0.83)   | (1.27)   | (1.35)   | (1.85)   |
| Return of capital                                                                                         | (0.22)  | (0.27)   |          |          |          |

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|                                                                              |           |           |           |           |           |
|------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total distributions to Common Stockholders                                   | (0.22)    | (1.19)    | (1.35)    | (1.55)    | (1.85)    |
| <b>CAPITAL STOCK TRANSACTIONS:</b>                                           |           |           |           |           |           |
| Effect of reinvestment of distributions by Common Stockholders               | (0.02)    | (0.08)    | (0.03)    | (0.00)    | 0.00      |
| Total capital stock transactions                                             | (0.02)    | (0.08)    | (0.03)    | (0.00)    | 0.00      |
| <b>NET ASSET VALUE, END OF PERIOD</b>                                        |           |           |           |           |           |
|                                                                              | \$ 8.90   | \$ 6.39   | \$ 13.48  | \$ 14.77  | \$ 13.43  |
| <b>MARKET VALUE, END OF PERIOD</b>                                           |           |           |           |           |           |
|                                                                              | \$ 7.37   | \$ 5.62   | \$ 11.94  | \$ 16.57  | \$ 14.56  |
| <b>TOTAL RETURN (a):</b>                                                     |           |           |           |           |           |
| Market Value                                                                 | 37.91%    | (45.84)%  | (20.54)%  | 26.72%    | 8.90%     |
| Net Asset Value                                                              | 46.47%    | (45.45)%  | 0.64%     | 22.46%    | 6.75%     |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |           |           |           |           |           |
| Total expenses (b,c)                                                         | 1.59%     | 1.55%     | 1.56%     | 1.64%     | 1.63%     |
| Management fee expense (d)                                                   | 1.38%     | 1.39%     | 1.44%     | 1.49%     | 1.43%     |
| Other operating expenses                                                     | 0.21%     | 0.16%     | 0.12%     | 0.15%     | 0.20%     |
| Net investment income (loss)                                                 | 0.02%     | 0.15%     | (0.07)%   | 0.05%     | (0.27)%   |
| <b>SUPPLEMENTAL DATA:</b>                                                    |           |           |           |           |           |
| Net Assets Applicable to Common Stockholders, End of Period (in thousands)   | \$243,156 | \$169,854 | \$331,476 | \$343,682 | \$293,719 |
| Liquidation Value of Preferred Stock, End of Period (in thousands)           | \$60,000  | \$60,000  | \$60,000  | \$60,000  | \$60,000  |
| Portfolio Turnover Rate                                                      | 30%       | 42%       | 41%       | 34%       | 46%       |
| <b>PREFERRED STOCK:</b>                                                      |           |           |           |           |           |
| Total shares outstanding                                                     | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 |
| Asset coverage per share                                                     | \$ 126.32 | \$ 95.77  | \$ 163.11 | \$ 168.20 | \$ 147.38 |
| Liquidation preference per share                                             | \$ 25.00  | \$ 25.00  | \$ 25.00  | \$ 25.00  | \$ 25.00  |
| Average month-end market value per share                                     | \$ 23.47  | \$ 23.08  | \$ 24.06  | \$ 24.15  | \$ 24.97  |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.21%, 1.26%, 1.33%, 1.38% and 1.35% for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment advisor would have been 1.74% and 1.58% for the years December 31, 2009 and 2008, respectively;

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before waiver of fees and after earnings credits would have been 1.74%, 1.58%, 1.56%, 1.64% and 1.63% for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

- (d) The management fee is calculated based on average net assets over a rolling 36-month basis, while the above ratios of management fee expenses are based on the average net assets applicable to Common Stockholders over a 12-month basis.

## Royce Micro-Cap Trust

### Notes to Financial Statements

#### Summary of Significant Accounting Policies:

Royce Micro-Cap Trust, Inc. (the Fund), was incorporated under the laws of the State of Maryland on September 9, 1993 as a diversified closed-end investment company. The Fund commenced operations on December 14, 1993.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the evaluation of subsequent events through February 23, 2010, the issuance date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Under the Fund's organizational documents, the officers and directors are indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

#### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price, except in the case of some bonds and other fixed income securities which may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. The Fund values its non-U.S. dollar denominated securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the prices of securities used by the Fund may differ from quoted or published prices for the same security. Investments in money market funds are valued at net asset value per share.

Various inputs are used in determining the value of the Fund's investments, as noted above. These inputs are summarized in the three broad levels below:

- Level 1 quoted prices in active markets for identical securities
- Level 2 other significant observable inputs (including quoted prices for similar securities, foreign securities that may be fair valued and repurchase agreements)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of December 31, 2009:

|                  | Level 1       | Level 2      | Level 3  | Total         |
|------------------|---------------|--------------|----------|---------------|
| Common stocks    | \$242,236,811 | \$25,816,126 | \$73,019 | \$268,125,956 |
| Preferred stocks |               | 998,998      |          | 998,998       |
| Cash equivalents | 10,155,020    | 34,077,000   |          | 44,232,020    |

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Level 3  
Reconciliation:

|                  | Balance as of<br>12/31/08 | Purchases | Transfers In | Sales | Realized and<br>Unrealized<br>Gain (Loss) <sup>(1)</sup> | Balance as of<br>12/31/09 |
|------------------|---------------------------|-----------|--------------|-------|----------------------------------------------------------|---------------------------|
| Common<br>stocks |                           | \$514,743 | \$74,554     | \$3   | \$(516,275)                                              | \$73,019                  |

<sup>(1)</sup> The net change in unrealized appreciation (depreciation) is included in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized. Net realized gain (loss) from investments and foreign currency transactions is included in the accompanying Statement of Operations.

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## Royce Micro-Cap Trust

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### Notes to Financial Statements (continued)

#### Repurchase Agreements:

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of its underlying securities.

#### Foreign Currency:

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

#### Securities Lending:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral for the Fund on all securities loaned is accepted in cash and cash equivalents and invested temporarily by the custodian. The collateral maintained is at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. The Fund retains the risk of any loss on the securities on loan as well as incurring the potential loss on investments purchased with cash collateral received for securities lending.

#### Taxes:

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Tax Information".

#### Distributions:

Effective May 18, 2009, the Fund pays any dividends and capital gain distributions annually in December on the Fund's Common Stock. Prior to that date, the Fund paid quarterly distributions on the Fund's Common Stock at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are accrued daily and paid quarterly and distributions to Common Stockholders are recorded on ex-dividend date. Distributable capital gains and/or net investment income are first allocated to Preferred Stockholder distributions, with any excess allocable to Common Stockholders. If capital gains and/or net investment income are allocated to both Preferred and Common Stockholders, the tax character of such allocations is proportional. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### Investment Transactions and Related Investment Income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis.

Premium and discounts on debt securities are amortized using the effective yield-to-maturity method. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated equitably. Certain personnel, occupancy costs and other administrative expenses related to The Royce Funds are allocated by Royce & Associates, LLC ( Royce ) under an administration agreement and are included in administrative and office facilities and legal expenses. The Fund has adopted a deferred fee agreement that allows the Directors to defer the receipt of all or a portion of Directors' Fees otherwise payable. The deferred fees are invested in certain Royce Funds until distributed in accordance with the agreement.

**Compensating Balance Credits:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.



## Royce Micro-Cap Trust

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### Notes to Financial Statements (continued)

#### Capital Stock:

The Fund issued 756,901 and 1,985,915 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, 2,400,000 shares of 6.00% Cumulative Preferred Stock were outstanding. The Fund, at its option, may redeem the Cumulative Preferred Stock, in whole or in part, at the redemption price. The Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with accounting for redeemable equity instruments, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Stockholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Cumulative Preferred Stock.

#### Investment Advisory Agreement:

As compensation for its services under the Investment Advisory Agreement, Royce receives a fee comprised of a Basic Fee (Basic Fee) and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the Russell 2000.

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common Stockholders, plus the liquidation value of Preferred Stock, for the rolling 36-month period ending with such month (the performance period). The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the Russell 2000 for the performance period by more than two percentage points. The performance period for each such month is a rolling 36-month period ending with such month. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the Russell 2000 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the Russell 2000 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to an issue of the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the applicable Preferred Stock's dividend rate.

For twelve rolling 36-month periods in 2009, the Fund's investment performance ranged from 1% to 9% below the investment performance of the Russell 2000. Accordingly, the net investment advisory fee consisted of a Basic Fee of \$3,490,680 and a net downward adjustment of \$523,360 for the performance of the Fund relative to that of the Russell 2000. Additionally, Royce voluntarily waived a portion of its advisory fee (\$289,167) attributable to issues of the Fund's Preferred Stock for those months in which the Fund's average annual NAV total return failed to exceed the applicable Preferred Stock's dividend rate. For the year ended December 31, 2009, the Fund accrued and paid Royce advisory fees totaling \$2,678,153.

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2009, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$64,109,740 and \$80,640,194, respectively.

#### Distributions to Stockholders:

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The tax character of distributions paid to common stockholders during 2009 and 2008 was as follows:

| Distributions paid from: | <u>2009</u>        | <u>2008</u>         |
|--------------------------|--------------------|---------------------|
| Ordinary income          |                    | \$ 2,356,920        |
| Long-term capital gain   |                    | 20,757,478          |
| Return of capital        | \$5,846,946        | 6,834,718           |
|                          | <u>\$5,846,946</u> | <u>\$29,949,116</u> |

The tax character of distributions paid to preferred stockholders during 2009 and 2008 was as follows:

| Distributions paid from: | <u>2009</u>        | <u>2008</u>        |
|--------------------------|--------------------|--------------------|
| Ordinary income          | \$1,009,948        | \$ 362,850         |
| Long-term capital gain   |                    | 3,237,150          |
| Return of capital        | 2,590,052          |                    |
|                          | <u>\$3,600,000</u> | <u>\$3,600,000</u> |

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## Royce Micro-Cap Trust

### Notes to Financial Statements (continued)

#### Distributions to Stockholders (continued):

As of December 31, 2009, tax basis components of distributable earnings included in stockholders' equity were as follows:

|                                        |                |
|----------------------------------------|----------------|
| Capital loss carryforward to 12/31/17  | \$(35,338,083) |
| Unrealized appreciation (depreciation) | 54,561,540     |
| Post October loss*                     | (1,197,829)    |
| Accrued preferred distributions        | (80,000)       |
|                                        | \$17,945,628   |

\*Under the current tax law, capital losses, foreign currency losses and losses realized on Passive Foreign Investment Companies after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. As of December 31, 2009, the Fund had \$1,197,829 of post October losses.

The difference between book and tax basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral on wash sales, partnership investments and the unrealized gains on Passive Foreign Investment Companies.

For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the tax character of permanent book/tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences and different characterization of distributions made by the Fund. For the year ended December 31, 2009, the Fund recorded the following permanent reclassifications. Results of operations and net assets were not affected by these reclassifications.

|                                        |                                         |                    |
|----------------------------------------|-----------------------------------------|--------------------|
| Undistributed Net<br>Investment Income | Accumulated Net<br>Realized Gain (Loss) | Paid-in<br>Capital |
| \$54,791                               | \$(127,750)                             | \$72,959           |

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (2006-2009) and has concluded that as of December 31, 2009, no provision for income tax is required in the Fund's financial statements.

#### Transactions in Affiliated Companies:

An Affiliated Company as defined in the Investment Company Act of 1940, is a company in which a fund owns 5% or more of the company's outstanding voting securities at any time during the period. The Fund effected the following transactions in shares of such companies for the year ended December 31, 2009:

| Affiliated Company  | Shares<br>12/31/08 | Market<br>Value<br>12/31/08 | Cost of<br>Purchases | Cost of<br>Sales | Realized<br>Gain (Loss) | Dividend<br>Income | Shares<br>12/31/09 | Market<br>Value<br>12/31/09 |
|---------------------|--------------------|-----------------------------|----------------------|------------------|-------------------------|--------------------|--------------------|-----------------------------|
| Deswell Industries* | 824,371            | \$ 1,096,413                |                      | \$710,000        | \$(352,375)             | \$82,888           |                    |                             |
|                     |                    | \$ 1,096,413                |                      |                  | \$(352,375)             | \$82,888           |                    |                             |

\*Not an Affiliated Company at December 31, 2009.



## Royce Micro-Cap Trust

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### Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Stockholders of  
Royce Micro-Cap Trust, Inc.  
New York, New York**

We have audited the accompanying statement of assets and liabilities of Royce Micro-Cap Trust, Inc., ( Fund ) including the schedule of investments, as of December 31, 2009, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Royce Micro-Cap Trust, Inc. at December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER, & BAKER LLP

Philadelphia, Pennsylvania  
February 23, 2010

## Royce Focus Trust

### Schedule of Investments

|                                                              | SHARES  | VALUE             |
|--------------------------------------------------------------|---------|-------------------|
| <b>COMMON STOCKS 99.1%</b>                                   |         |                   |
| <b>Consumer Products 9.0%</b>                                |         |                   |
| Apparel, Shoes and Accessories - 2.6%                        |         |                   |
| Coach                                                        | 50,000  | \$ 1,826,500      |
| Timberland Company (The) Cl. A <sup>a</sup>                  | 100,000 | 1,793,000         |
|                                                              |         | <u>3,619,500</u>  |
| Food/Beverage/Tobacco - 3.6%                                 |         |                   |
| <b>Cal-Maine Foods</b>                                       | 80,000  | 2,726,400         |
| Industrias Bachoco ADR                                       | 105,000 | 2,410,800         |
|                                                              |         | <u>5,137,200</u>  |
| Health, Beauty and Nutrition - 1.1%                          |         |                   |
| Nu Skin Enterprises Cl. A                                    | 60,000  | 1,612,200         |
|                                                              |         | <u>1,612,200</u>  |
| Sports and Recreation - 1.7%                                 |         |                   |
| Thor Industries                                              | 75,000  | 2,355,000         |
|                                                              |         | <u>2,355,000</u>  |
| <b>Total</b> (Cost \$11,679,432)                             |         | <u>12,723,900</u> |
| <b>Consumer Services 3.6%</b>                                |         |                   |
| Retail Stores - 3.6%                                         |         |                   |
| <b>Buckle (The) <sup>b</sup></b>                             | 120,000 | 3,513,600         |
| Men's Wearhouse (The)                                        | 75,000  | 1,579,500         |
|                                                              |         | <u>5,093,100</u>  |
| <b>Diversified Investment Companies 2.1%</b>                 |         |                   |
| Exchange Traded Funds - 2.1%                                 |         |                   |
| <b>UltraShort 20+ Year Treasury ProShares <sup>a,b</sup></b> | 60,000  | 3,000,000         |
|                                                              |         | <u>3,000,000</u>  |
| <b>Total</b> (Cost \$2,655,949)                              |         | <u>3,000,000</u>  |
| <b>Financial Intermediaries 3.0%</b>                         |         |                   |
| Securities Brokers - 2.2%                                    |         |                   |
| <b>Knight Capital Group Cl. A <sup>a</sup></b>               | 200,000 | 3,080,000         |
|                                                              |         | <u>3,080,000</u>  |
| Other Financial Intermediaries - 0.8%                        |         |                   |
| KKR Financial Holdings                                       | 200,000 | 1,160,000         |
|                                                              |         | <u>1,160,000</u>  |
| <b>Total</b> (Cost \$5,272,236)                              |         | <u>4,240,000</u>  |

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**Financial Services 9.6%**

Investment Management - 6.7%

|                                  |         |           |
|----------------------------------|---------|-----------|
| Endeavour Financial <sup>b</sup> | 600,000 | 1,015,442 |
| Franklin Resources               | 25,000  | 2,633,750 |
| Partners Group Holding           | 15,000  | 1,889,238 |
| Sprott                           | 500,000 | 2,151,360 |
| U.S. Global Investors Cl. A      | 147,849 | 1,820,021 |

9,509,811

Other Financial Services - 2.9%

|                                             |         |           |
|---------------------------------------------|---------|-----------|
| <b>Kennedy-Wilson Holdings <sup>a</sup></b> | 450,770 | 4,034,391 |
|---------------------------------------------|---------|-----------|

**Total** (Cost \$14,575,238)

13,544,202

**Health 1.6%**

Drugs and Biotech - 1.6%

|                                            |         |           |
|--------------------------------------------|---------|-----------|
| Endo Pharmaceuticals Holdings <sup>a</sup> | 80,000  | 1,640,800 |
| Lexicon Pharmaceuticals <sup>a</sup>       | 350,000 | 595,000   |

**Total** (Cost \$2,467,903)

2,235,800

**SHARES VALUE**

**Industrial Products 24.4%**

Building Systems and Components - 2.7%

|                               |        |              |
|-------------------------------|--------|--------------|
| Simpson Manufacturing         | 80,000 | \$ 2,151,200 |
| WaterFurnace Renewable Energy | 70,000 | 1,737,534    |
|                               |        | 3,888,734    |

Industrial Components - 2.2%

|                                            |         |           |
|--------------------------------------------|---------|-----------|
| <b>GrafTech International <sup>a</sup></b> | 200,000 | 3,110,000 |
|--------------------------------------------|---------|-----------|

Machinery - 2.8%

|                           |        |           |
|---------------------------|--------|-----------|
| Lincoln Electric Holdings | 50,000 | 2,673,000 |
| Woodward Governor         | 50,000 | 1,288,500 |
|                           |        | 3,961,500 |

Metal Fabrication and Distribution - 9.8%

|                                      |         |            |
|--------------------------------------|---------|------------|
| Kennametal                           | 75,000  | 1,944,000  |
| <b>Nucor Corporation</b>             | 80,000  | 3,732,000  |
| <b>Reliance Steel &amp; Aluminum</b> | 90,000  | 3,889,800  |
| Schnitzer Steel Industries Cl. A     | 50,000  | 2,385,000  |
| Sims Metal Management ADR            | 100,000 | 1,950,000  |
|                                      |         | 13,900,800 |

Miscellaneous Manufacturing - 1.2%

|          |        |           |
|----------|--------|-----------|
| Rational | 10,000 | 1,693,999 |
|----------|--------|-----------|

Pumps, Valves and Bearings - 2.7%

|                            |        |           |
|----------------------------|--------|-----------|
| Gardner Denver             | 50,000 | 2,127,500 |
| Pfeiffer Vacuum Technology | 20,000 | 1,676,589 |

|                                                    |         |            |
|----------------------------------------------------|---------|------------|
|                                                    |         | 3,804,089  |
| <hr/>                                              |         |            |
| Specialty Chemicals and Materials -<br>3.0%        |         |            |
| <b>Mosaic Company (The)</b>                        | 70,000  | 4,181,100  |
| <hr/>                                              |         |            |
| <b>Total</b> (Cost \$22,160,941)                   |         | 34,540,222 |
| <hr/>                                              |         |            |
| <b>Industrial Services 7.8%</b>                    |         |            |
| Commercial Services - 1.2%                         |         |            |
| Korn/Ferry International <sup>a</sup>              | 100,000 | 1,650,000  |
| <hr/>                                              |         |            |
| Engineering and Construction - 1.3%                |         |            |
| Jacobs Engineering Group <sup>a</sup>              | 50,000  | 1,880,500  |
| <hr/>                                              |         |            |
| Food, Tobacco and Agriculture - 3.4%               |         |            |
| Intrepid Potash <sup>a,b</sup>                     | 50,000  | 1,458,500  |
| <b>Sanderson Farms</b>                             | 80,000  | 3,372,800  |
| <hr/>                                              |         |            |
|                                                    |         | 4,831,300  |
| <hr/>                                              |         |            |
| Transportation and Logistics - 1.9%                |         |            |
| <b>Patriot Transportation Holding <sup>a</sup></b> | 28,762  | 2,716,859  |
| <hr/>                                              |         |            |
| <b>Total</b> (Cost \$10,217,598)                   |         | 11,078,659 |
| <hr/>                                              |         |            |
| <b>Natural Resources 30.3%</b>                     |         |            |
| Energy Services - 12.0%                            |         |            |
| Ensign Energy Services                             | 150,000 | 2,151,360  |
| <b>Major Drilling Group International</b>          | 120,000 | 3,301,047  |
| Pason Systems                                      | 180,000 | 2,005,068  |
| Tesco Corporation <sup>a</sup>                     | 210,000 | 2,711,100  |
| <b>Trican Well Service</b>                         | 220,000 | 2,957,594  |
| <b>Unit Corporation <sup>a</sup></b>               | 90,300  | 3,837,750  |
| <hr/>                                              |         |            |
|                                                    |         | 16,963,919 |
| <hr/>                                              |         |            |
| Oil and Gas - 1.4%                                 |         |            |
| Exxon Mobil                                        | 30,000  | 2,045,700  |
| <hr/>                                              |         |            |
| Precious Metals and Mining - 15.0%                 |         |            |
| Alamos Gold <sup>a</sup>                           | 150,000 | 1,801,405  |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS.**



December 31, 2009

|                                                    | SHARES    | VALUE        |
|----------------------------------------------------|-----------|--------------|
| <b>Natural Resources (continued)</b>               |           |              |
| Precious Metals and Mining<br>(continued)          |           |              |
| <b>Allied Nevada Gold</b> <sup>a</sup>             | 200,000   | \$ 3,016,000 |
| Fresnillo                                          | 120,000   | 1,512,784    |
| <b>Gammon Gold</b> <sup>a</sup>                    | 250,500   | 2,758,005    |
| <b>Ivanhoe Mines</b> <sup>a</sup>                  | 250,000   | 3,652,500    |
| Pan American Silver <sup>a</sup>                   | 80,000    | 1,904,800    |
| <b>Seabridge Gold</b> <sup>a</sup>                 | 120,000   | 2,912,400    |
| <b>Silver Standard Resources</b> <sup>a</sup>      | 165,000   | 3,608,550    |
|                                                    |           | 21,166,444   |
| Real Estate - 0.7%                                 |           |              |
| PICO Holdings <sup>a</sup>                         | 30,000    | 981,900      |
| Other Natural Resources - 1.2%                     |           |              |
| Magma Energy <sup>a</sup>                          | 1,000,000 | 1,730,650    |
| <b>Total</b> (Cost \$30,991,121)                   |           | 42,888,613   |
| Technology 7.0%                                    |           |              |
| Aerospace and Defense - 1.0%                       |           |              |
| Ceradyne <sup>a</sup>                              | 70,000    | 1,344,700    |
| Semiconductors and Equipment -<br>2.2%             |           |              |
| MKS Instruments <sup>a</sup>                       | 120,000   | 2,089,200    |
| Sigma Designs <sup>a</sup>                         | 100,325   | 1,073,478    |
|                                                    |           | 3,162,678    |
| Software - 2.2%                                    |           |              |
| <b>Microsoft Corporation</b>                       | 100,000   | 3,049,000    |
| Telecommunications - 1.6%                          |           |              |
| ADTRAN                                             | 100,000   | 2,255,000    |
| <b>Total</b> (Cost \$9,257,056)                    |           | 9,811,378    |
| Miscellaneous <sup>c</sup> 0.7%                    |           |              |
| <b>Total</b> (Cost \$858,383)                      |           | 1,015,442    |
| <b>TOTAL COMMON STOCKS</b><br>(Cost \$114,836,392) |           | 140,171,316  |

VALUE

**REPURCHASE AGREEMENT 18.6%**  
State Street Bank & Trust Company,  
0.005% dated 12/31/09, due 1/4/10,

|                                                                                                                                                            |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| maturity value \$26,383,015 (collateralized by obligations of various U.S. Government Agencies, due 2/1/10, valued at \$27,045,000)<br>(Cost \$26,383,000) | \$ 26,383,000         |
| <b>COLLATERAL RECEIVED FOR SECURITIES</b>                                                                                                                  |                       |
| <b>LOANED 3.7%</b>                                                                                                                                         |                       |
| Money Market Funds<br>Federated Government Obligations Fund<br>(7 day yield-0.0582%)<br>(Cost \$5,226,474)                                                 | 5,226,474             |
| <b>TOTAL INVESTMENTS 121.4%</b>                                                                                                                            |                       |
| (Cost \$146,445,866)                                                                                                                                       | 171,780,790           |
| <b>LIABILITIES LESS CASH AND OTHER ASSETS (3.7%)</b>                                                                                                       |                       |
|                                                                                                                                                            | (5,283,762)           |
| <b>PREFERRED STOCK (17.7%)</b>                                                                                                                             |                       |
|                                                                                                                                                            | (25,000,000)          |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS 100.0%</b>                                                                                                 |                       |
|                                                                                                                                                            | <b>\$ 141,497,028</b> |

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New additions in 2009.

<sup>a</sup> Non-income producing.

<sup>b</sup> All or a portion of these securities were on loan at December 31, 2009. Total market value of loaned securities at December 31, 2009 was \$5,179,883.

<sup>c</sup> Includes securities first acquired in 2009 and less than 1% of net assets applicable to Common Stockholders.

**Bold indicates the Fund's 20 largest equity holdings in terms of December 31, 2009 market value.**

**TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$146,762,036. At December 31, 2009 net unrealized appreciation for all securities was \$25,018,754, consisting of aggregate gross unrealized appreciation of \$33,878,472 and aggregate gross unrealized depreciation of \$8,859,718. The primary difference between book and tax basis cost is the timing of the recognition of losses on securities sold.

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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**

2009 Annual Report to Stockholders |

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## Royce Focus Trust

December 31, 2009

**Statement of Assets and Liabilities****ASSETS:**

|                                                                         |                |
|-------------------------------------------------------------------------|----------------|
| Total investments at value (including collateral on loaned securities)* | \$ 145,397,790 |
| Repurchase agreements (at cost and value)                               | 26,383,000     |
| Receivable for investments sold                                         | 4,850,000      |
| Receivable for dividends and interest                                   | 177,642        |
| Prepaid expenses and other assets                                       | 13,596         |

|                     |                    |
|---------------------|--------------------|
| <b>Total Assets</b> | <b>176,822,028</b> |
|---------------------|--------------------|

**LIABILITIES:**

|                                                  |           |
|--------------------------------------------------|-----------|
| Payable for collateral on loaned securities      | 5,226,474 |
| Payable for investments purchased                | 3,716     |
| Payable for investment advisory fee              | 139,197   |
| Payable to custodian for overdrawn balance       | 4,849,263 |
| Preferred dividends accrued but not yet declared | 33,328    |
| Accrued expenses                                 | 73,022    |

|                          |                   |
|--------------------------|-------------------|
| <b>Total Liabilities</b> | <b>10,325,000</b> |
|--------------------------|-------------------|

**PREFERRED STOCK:**

|                                                                                                                      |            |
|----------------------------------------------------------------------------------------------------------------------|------------|
| 6.00% Cumulative Preferred Stock - \$0.001 par value, \$25 liquidation value per share; 1,000,000 shares outstanding | 25,000,000 |
|----------------------------------------------------------------------------------------------------------------------|------------|

|                              |                   |
|------------------------------|-------------------|
| <b>Total Preferred Stock</b> | <b>25,000,000</b> |
|------------------------------|-------------------|

|                                                     |                       |
|-----------------------------------------------------|-----------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 141,497,028</b> |
|-----------------------------------------------------|-----------------------|

**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|                                                                                                                           |                |
|---------------------------------------------------------------------------------------------------------------------------|----------------|
| Common Stock paid-in capital - \$0.001 par value per share; 19,759,064 shares outstanding (150,000,000 shares authorized) | \$ 129,051,197 |
| Undistributed net investment income (loss)                                                                                | (1,133,274)    |
| Accumulated net realized gain (loss) on investments and foreign currency                                                  | (11,722,986)   |
| Net unrealized appreciation (depreciation) on investments and foreign currency                                            | 25,335,424     |
| Preferred dividends accrued but not yet declared                                                                          | (33,333)       |

|                                                                                          |                       |
|------------------------------------------------------------------------------------------|-----------------------|
| <b>Net Assets applicable to Common Stockholders (net asset value per share - \$7.16)</b> | <b>\$ 141,497,028</b> |
|------------------------------------------------------------------------------------------|-----------------------|

|                                                                                            |                |
|--------------------------------------------------------------------------------------------|----------------|
| *Investments at identified cost (including \$5,226,474 of collateral on loaned securities) | \$ 120,062,866 |
| Market value of loaned securities                                                          | 5,179,883      |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**

## Royce Focus Trust

Year Ended December 31, 2009

**Statement of Operations****INVESTMENT INCOME:**

## Income:

|                    |              |
|--------------------|--------------|
| Dividends*         | \$ 2,103,060 |
| Interest           | 17,929       |
| Securities lending | 13,575       |

|                     |                  |
|---------------------|------------------|
| <b>Total income</b> | <b>2,134,564</b> |
|---------------------|------------------|

## Expenses:

|                                      |           |
|--------------------------------------|-----------|
| Investment advisory fees             | 1,365,329 |
| Stockholder reports                  | 76,957    |
| Custody and transfer agent fees      | 55,122    |
| Professional fees                    | 39,983    |
| Directors fees                       | 27,934    |
| Administrative and office facilities | 19,960    |
| Other expenses                       | 67,307    |

|                       |                  |
|-----------------------|------------------|
| <b>Total expenses</b> | <b>1,652,592</b> |
|-----------------------|------------------|

|                                   |          |
|-----------------------------------|----------|
| Fees waived by investment adviser | (65,753) |
|-----------------------------------|----------|

|                     |                  |
|---------------------|------------------|
| <b>Net expenses</b> | <b>1,586,839</b> |
|---------------------|------------------|

|                                     |                |
|-------------------------------------|----------------|
| <b>Net investment income (loss)</b> | <b>547,725</b> |
|-------------------------------------|----------------|

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:**

## Net realized gain (loss):

|                               |              |
|-------------------------------|--------------|
| Investments                   | (10,515,789) |
| Foreign currency transactions | 14,513       |

## Net change in unrealized appreciation (depreciation):

|                                                              |            |
|--------------------------------------------------------------|------------|
| Investments and foreign currency translations                | 60,999,884 |
| Other assets and liabilities denominated in foreign currency | 2,311      |

|                                                                                    |                   |
|------------------------------------------------------------------------------------|-------------------|
| <b>Net realized and unrealized gain (loss) on investments and foreign currency</b> | <b>50,500,919</b> |
|------------------------------------------------------------------------------------|-------------------|

|                                                                         |                   |
|-------------------------------------------------------------------------|-------------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM INVESTMENT OPERATIONS</b> | <b>51,048,644</b> |
|-------------------------------------------------------------------------|-------------------|

|                                                |                    |
|------------------------------------------------|--------------------|
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b> | <b>(1,500,000)</b> |
|------------------------------------------------|--------------------|

|                                                                                                           |                      |
|-----------------------------------------------------------------------------------------------------------|----------------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b> | <b>\$ 49,548,644</b> |
|-----------------------------------------------------------------------------------------------------------|----------------------|

\* Net of foreign withholding tax of \$60,320.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

2009 Annual Report to Stockholders |

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## Royce Focus Trust

### Statement of Changes in Net Assets

|                                                                                                                           | Year ended<br>12/31/09 | Year ended<br>12/31/08 |
|---------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>                                                                                             |                        |                        |
| Net investment income (loss)                                                                                              | \$ 547,725             | \$ 1,025,652           |
| Net realized gain (loss) on investments and foreign currency                                                              | (10,501,276)           | 4,693,291              |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency                                  | 61,002,195             | (74,225,556)           |
| <b>Net increase (decrease) in net assets from investment operations</b>                                                   | <b>51,048,644</b>      | <b>(68,506,613)</b>    |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                                                                           |                        |                        |
| Net investment income                                                                                                     | (1,500,000)            | (240,568)              |
| Net realized gain on investments and foreign currency                                                                     |                        | (1,259,432)            |
| <b>Total distributions to Preferred Stockholders</b>                                                                      | <b>(1,500,000)</b>     | <b>(1,500,000)</b>     |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS FROM INVESTMENT OPERATIONS</b>                 |                        |                        |
|                                                                                                                           | <b>49,548,644</b>      | <b>(70,006,613)</b>    |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                                                              |                        |                        |
| Net investment income                                                                                                     | (76,678)               | (1,314,438)            |
| Net realized gain on investments and foreign currency                                                                     |                        | (6,881,428)            |
| Return of capital                                                                                                         | (1,674,712)            | (662,631)              |
| <b>Total distributions to Common Stockholders</b>                                                                         | <b>(1,751,390)</b>     | <b>(8,858,497)</b>     |
| <b>CAPITAL STOCK TRANSACTIONS:</b>                                                                                        |                        |                        |
| Reinvestment of distributions to Common Stockholders                                                                      | 1,150,102              | 5,607,374              |
| <b>Total capital stock transactions</b>                                                                                   | <b>1,150,102</b>       | <b>5,607,374</b>       |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>                                            |                        |                        |
|                                                                                                                           | <b>48,947,356</b>      | <b>(73,257,736)</b>    |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>                                                                      |                        |                        |
| Beginning of year                                                                                                         | 92,549,672             | 165,807,408            |
| End of year (including undistributed net investment income (loss) of \$(1,133,274) at 12/31/09 and \$273,411 at 12/31/08) | \$ 141,497,028         | \$ 92,549,672          |

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**

## Royce Focus Trust

### Financial Highlights

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

|                                                                                                                           | Years ended December 31, |         |         |         |         |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------|---------|---------|---------|---------|
|                                                                                                                           | 2009                     | 2008    | 2007    | 2006    | 2005    |
| <b>NET ASSET VALUE,<br/>BEGINNING OF PERIOD</b>                                                                           | \$ 4.76                  | \$ 8.92 | \$ 9.75 | \$ 9.76 | \$ 9.75 |
| <b>INVESTMENT OPERATIONS:</b>                                                                                             |                          |         |         |         |         |
| Net investment income (loss)                                                                                              | 0.03                     | 0.07    | 0.15    | 0.16    | 0.06    |
| Net realized and unrealized<br>gain (loss) on investments and<br>foreign currency                                         | 2.54                     | (3.67)  | 1.12    | 1.50    | 1.44    |
| Total investment operations                                                                                               | 2.57                     | (3.60)  | 1.27    | 1.66    | 1.50    |
| <b>DISTRIBUTIONS TO<br/>PREFERRED<br/>STOCKHOLDERS:</b>                                                                   |                          |         |         |         |         |
| Net investment income                                                                                                     | (0.08)                   | (0.01)  | (0.02)  | (0.01)  | (0.01)  |
| Net realized gain on<br>investments and foreign<br>currency                                                               |                          | (0.07)  | (0.07)  | (0.09)  | (0.11)  |
| Total distributions to Preferred<br>Stockholders                                                                          | (0.08)                   | (0.08)  | (0.09)  | (0.10)  | (0.12)  |
| <b>NET INCREASE (DECREASE)<br/>IN NET ASSETS<br/>APPLICABLE TO COMMON<br/>STOCKHOLDERS FROM<br/>INVESTMENT OPERATIONS</b> | 2.49                     | (3.68)  | 1.18    | 1.56    | 1.38    |
| <b>DISTRIBUTIONS TO<br/>COMMON STOCKHOLDERS:</b>                                                                          |                          |         |         |         |         |
| Net investment income                                                                                                     | (0.00)                   | (0.07)  | (0.44)  | (0.20)  | (0.06)  |
| Net realized gain on<br>investments and foreign<br>currency                                                               |                          | (0.37)  | (1.57)  | (1.37)  | (1.15)  |
| Return of capital                                                                                                         | (0.09)                   | (0.03)  |         |         |         |
| Total distributions to Common<br>Stockholders                                                                             | (0.09)                   | (0.47)  | (2.01)  | (1.57)  | (1.21)  |
| <b>CAPITAL STOCK<br/>TRANSACTIONS:</b>                                                                                    |                          |         |         |         |         |

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|                                                                |        |        |        |        |        |
|----------------------------------------------------------------|--------|--------|--------|--------|--------|
| Effect of reinvestment of distributions by Common Stockholders | (0.00) | (0.01) | (0.00) | (0.00) | (0.03) |
| Effect of rights offering                                      |        |        |        |        | (0.13) |

|                                  |        |        |        |        |        |
|----------------------------------|--------|--------|--------|--------|--------|
| Total capital stock transactions | (0.00) | (0.01) | (0.00) | (0.00) | (0.16) |
|----------------------------------|--------|--------|--------|--------|--------|

|                                       |         |         |         |         |         |
|---------------------------------------|---------|---------|---------|---------|---------|
| <b>NET ASSET VALUE, END OF PERIOD</b> | \$ 7.16 | \$ 4.76 | \$ 8.92 | \$ 9.75 | \$ 9.76 |
|---------------------------------------|---------|---------|---------|---------|---------|

|                                    |         |         |         |          |         |
|------------------------------------|---------|---------|---------|----------|---------|
| <b>MARKET VALUE, END OF PERIOD</b> | \$ 6.33 | \$ 4.60 | \$ 8.97 | \$ 10.68 | \$ 9.53 |
|------------------------------------|---------|---------|---------|----------|---------|

**TOTAL RETURN (a):**

|                 |        |          |        |        |        |
|-----------------|--------|----------|--------|--------|--------|
| Market Value    | 40.84% | (44.94)% | 3.02%  | 30.50% | 3.03%  |
| Net Asset Value | 53.95% | (42.71)% | 12.22% | 16.33% | 13.31% |

**RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|                              |       |       |       |       |       |
|------------------------------|-------|-------|-------|-------|-------|
| Total expenses (b,c)         | 1.42% | 1.34% | 1.32% | 1.36% | 1.48% |
| Management fee expense       | 1.16% | 1.13% | 1.14% | 1.16% | 1.21% |
| Other operating expenses     | 0.26% | 0.21% | 0.18% | 0.20% | 0.27% |
| Net investment income (loss) | 0.49% | 0.72% | 1.13% | 1.54% | 0.63% |

**SUPPLEMENTAL DATA:**

|                                                                            |           |          |           |           |           |
|----------------------------------------------------------------------------|-----------|----------|-----------|-----------|-----------|
| Net Assets Applicable to Common Stockholders, End of Period (in thousands) | \$141,497 | \$92,550 | \$165,807 | \$158,567 | \$143,244 |
| Liquidation Value of Preferred Stock, End of Period (in thousands)         | \$25,000  | \$25,000 | \$25,000  | \$25,000  | \$25,000  |
| Portfolio Turnover Rate                                                    | 46%       | 51%      | 62%       | 30%       | 42%       |

**PREFERRED STOCK:**

|                                          |           |           |           |           |           |
|------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total shares outstanding                 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Asset coverage per share                 | \$ 166.48 | \$ 117.55 | \$ 190.81 | \$ 183.57 | \$ 168.24 |
| Liquidation preference per share         | \$ 25.00  | \$ 25.00  | \$ 25.00  | \$ 25.00  | \$ 25.00  |
| Average month-end market value per share | \$ 23.56  | \$ 22.89  | \$ 24.37  | \$ 24.98  | \$ 25.38  |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.16%, 1.14%, 1.15%, 1.17% and 1.22% for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.48% and 1.39% for the years ended December 31, 2009 and 2008, respectively; before waiver of fees and after earnings credits would have been 1.48%, 1.39%, 1.31%, 1.36% and 1.48% for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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## Royce Focus Trust

### Notes to Financial Statements

#### Summary of Significant Accounting Policies:

Royce Focus Trust, Inc. (the Fund), is a diversified closed-end investment company incorporated under the laws of the State of Maryland. The Fund commenced operations on March 2, 1988 and Royce & Associates, LLC (Royce) assumed investment management responsibility for the Fund on November 1, 1996.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the evaluation of subsequent events through February 23, 2010, the issuance date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Under the Fund's organizational documents, the officers and directors are indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

At December 31, 2009, officers, employees of Royce & Associates, Fund directors, the Royce retirement plans and other affiliates owned 24% of the Fund.

#### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price, except in the case of some bonds and other fixed income securities which may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. The Fund values its non-U.S. dollar denominated securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the prices of securities used by the Fund may differ from quoted or published prices for the same security. Investments in money market funds are valued at net asset value per share.

Various inputs are used in determining the value of the Fund's investments, as noted above. These inputs are summarized in the three broad levels below:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, foreign securities that may be fair valued and repurchase agreements)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2009:

|               | Level 1        | Level 2      | Level 3 | Total          |
|---------------|----------------|--------------|---------|----------------|
| Common stocks | \$ 113,531,804 | \$26,639,512 |         | \$ 140,171,316 |
|               | 5,226,474      | 26,383,000   |         | 31,609,474     |



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Cash  
equivalents

Level 3  
Reconciliation:

|                     | Balance as of 12/31/08 | Sales       | Realized and<br>Unrealized<br>Gain (Loss) <sup>(1)</sup> | Balance as of<br>12/31/09 |
|---------------------|------------------------|-------------|----------------------------------------------------------|---------------------------|
| Preferred<br>stocks | \$7,285,707            | \$9,000,000 | \$1,714,293                                              |                           |

<sup>(1)</sup> The net change in unrealized appreciation (depreciation) is included in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized. Net realized gain (loss) from investments and foreign currency transactions is included in the accompanying Statement of Operations.

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## Royce Focus Trust

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### Notes to Financial Statements (continued)

#### Repurchase Agreements:

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of its underlying securities.

#### Foreign Currency:

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

#### Securities Lending:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral for the Fund on all securities loaned is accepted in cash and cash equivalents and invested temporarily by the custodian. The collateral maintained is at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. The Fund retains the risk of any loss on the securities on loan as well as incurring the potential loss on investments purchased with cash collateral received for securities lending.

#### Taxes:

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption Tax Information.

#### Distributions:

Effective May 18, 2009, the Fund pays any dividends and capital gain distributions annually in December on the Fund's Common Stock. Prior to that date, the Fund paid quarterly distributions on the Fund's Common Stock at the annual rate of 5% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 1.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are accrued daily and paid quarterly and distributions to Common Stockholders are recorded on ex-dividend date. Distributable capital gains and/or net investment income are first allocated to Preferred Stockholder distributions, with any excess allocable to Common Stockholders. If capital gains and/or net investment income are allocated to both Preferred and Common Stockholders, the tax character of such allocations is proportional. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### Investment Transactions and Related Investment Income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis. Premium and discounts on debt securities are amortized using the effective yield-to-maturity method. Realized gains and losses

from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated equitably. Certain personnel, occupancy costs and other administrative expenses related to The Royce Funds are allocated by Royce under an administration agreement and are included in administrative and office facilities and legal expenses. The Fund has adopted a deferred fee agreement that allows the Directors to defer the receipt of all or a portion of Directors' Fees otherwise payable. The deferred fees are invested in certain Royce Funds until distributed in accordance with the agreement.

**Compensating Balance Credits:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.

## Royce Focus Trust

### Notes to Financial Statements (continued)

#### Capital Stock:

The Fund issued 299,149 and 864,595 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, 1,000,000 shares of 6.00% Cumulative Preferred Stock were outstanding. The Fund, at its option, may redeem the Cumulative Preferred Stock, in whole or in part, at the redemption price. The Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with accounting for redeemable equity instruments, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Stockholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Cumulative Preferred Stock.

#### Investment Advisory Agreement:

The Investment Advisory Agreement between Royce and the Fund provides for fees to be paid at an annual rate of 1.0% of the Fund's average daily net assets applicable to Common Stockholders plus the liquidation value of Preferred Stock. Royce voluntarily waived a portion of its advisory fee (\$65,753) attributable to issues of the Fund's Preferred Stock for those months in which the Fund's average annual NAV total return failed to exceed the applicable Preferred Stock's dividend rate. For the year ended December 31, 2009, the Fund accrued and paid Royce advisory fees totaling \$1,299,576.

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2009, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$50,803,730 and \$58,785,404, respectively.

#### Distributions to Stockholders:

The tax character of distributions paid to common stockholders during 2009 and 2008 was as follows:

| Distributions paid from: | 2009               | 2008               |
|--------------------------|--------------------|--------------------|
| Ordinary income          | \$ 76,678          | \$1,314,438        |
| Long-term capital gain   |                    | 6,881,428          |
| Return of capital        | 1,674,712          | 662,631            |
|                          | <u>\$1,751,390</u> | <u>\$8,858,497</u> |

The tax character of distributions paid to preferred stockholders during 2009 and 2008 was as follows:

| Distributions paid from: | 2009               | 2008               |
|--------------------------|--------------------|--------------------|
| Ordinary income          | \$1,500,000        | \$ 240,568         |
| Long-term capital gain   |                    | 1,259,432          |
| Return of capital        |                    |                    |
|                          | <u>\$1,500,000</u> | <u>\$1,500,000</u> |

As of December 31, 2009, the tax basis components of distributable earnings included in stockholders' equity were as follows:

|                                       |                |
|---------------------------------------|----------------|
| Capital loss carryforward to 12/31/17 | \$(12,252,785) |
|---------------------------------------|----------------|

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|                                        |               |
|----------------------------------------|---------------|
| Unrealized appreciation (depreciation) | 25,019,254    |
| Post October loss*                     | (287,305)     |
| Accrued preferred distributions        | (33,333)      |
|                                        | <hr/>         |
|                                        | \$ 12,445,831 |

\*Under the current tax law, capital losses, foreign currency losses and losses realized on Passive Foreign Investment Companies after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. As of December 31, 2009, the Fund had \$287,305 of post October losses.

## Royce Focus Trust

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### Notes to Financial Statements (continued)

#### Distributions to Stockholders (continued):

The difference between book and tax basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral on wash sales, partnership investments and the unrealized gains on Passive Foreign Investment Companies.

For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the tax character of permanent book/tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences and different characterization of distributions made by the Fund. For the year ended December 31, 2009, the Fund recorded the following permanent reclassifications. Results of operations and net assets were not affected by these reclassifications.

| <u>Undistributed Net<br/>Investment Income</u> | <u>Accumulated Net<br/>Realized Gain (Loss)</u> | <u>Paid-in<br/>Capital</u> |
|------------------------------------------------|-------------------------------------------------|----------------------------|
| \$(377,732)                                    | \$(97,396)                                      | \$475,128                  |

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (2006-2009) and has concluded that as of December 31, 2009, no provision for income tax is required in the Fund's financial statements.

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## Royce Focus Trust

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### Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Stockholders of  
Royce Focus Trust, Inc.  
New York, New York**

We have audited the accompanying statement of assets and liabilities of Royce Focus Trust, Inc., ( Fund ) including the schedule of investments, as of December 31, 2009, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodian and brokers or by other appropriate auditing procedures where broker replies were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Royce Focus Trust, Inc. at December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER, & BAKER LLP

Philadelphia, Pennsylvania  
February 23, 2010

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## Directors and Officers

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All Directors and Officers may be reached c/o The Royce Funds, 745 Fifth Avenue, New York, NY 10151

### Charles M. Royce, Director\*, President

Age: 70 | Number of Funds Overseen: 30 | Tenure: Since 1986

Non-Royce Directorships: Director of Technology Investment Capital Corp.

Principal Occupation(s) During Past Five Years: President, Co-Chief Investment Officer and Member of Board of Managers of Royce & Associates, LLC ( Royce ), the Trust s investment adviser.

### Mark R. Fetting, Director\*

Age: 55 | Number of Funds Overseen: 44 | Tenure: Since 2001

Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 14 Legg Mason Funds.

Principal Occupation(s) During Past 5 Years: President, CEO, Chairman and Director of Legg Mason, Inc. and Chairman of Legg Mason Funds. Mr. Fetting s prior business experience includes having served as a member of the Board of Managers of Royce; President of all Legg Mason Funds; Senior Executive Vice President of Legg Mason, Inc.; Director and/or officer of various Legg Mason, Inc. affiliates; Division President and Senior Officer of Prudential Financial Group, Inc. and related companies.

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### Richard M. Galkin, Director

Age: 71 | Number of Funds Overseen: 30 | Tenure: Since 1986

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: Private investor. Mr. Galkin s prior business experience includes having served as President of Richard M. Galkin Associates, Inc., telecommunications consultants, President of Manhattan Cable Television (a subsidiary of Time, Inc.), President of Haverhills Inc. (another Time, Inc. subsidiary), President of Rhode Island Cable Television and Senior Vice President of Satellite Television Corp. (a subsidiary of Comsat).

### Stephen L. Isaacs, Director

Age: 70 | Number of Funds Overseen: 30 | Tenure: Since 1989

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: President of The Center for Health and Social Policy (since September 1996); Attorney and President of Health Policy Associates, Inc., consultants. Mr. Isaacs s prior business experience includes having served as Director of Columbia University Development Law and Policy Program and Professor at Columbia University (until August 1996).



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### [William L. Koke, Director\\*\\*](#)

Age: 75 | Number of Funds Overseen: 30 | Tenure: Since 1996

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: Private investor. Mr. Koke's prior business experience includes having served as President of Shoreline Financial Consultants, Director of Financial Relations of SONAT, Inc., Treasurer of Ward Foods, Inc. and President of CFC, Inc.

### [Arthur S. Mehlman, Director](#)

Age: 67 | Number of Funds Overseen: 44 | Tenure: Since 2004

Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 14 Legg Mason Funds and Director of Municipal Mortgage & Equity, LLC.

Principal Occupation(s) During Past Five Years: Director of The League for People with Disabilities, Inc.; Director of University of Maryland Foundation (non-profits). Formerly: Director of University of Maryland College Park Foundation (non-profit) (from 1998 to 2005); Partner, KPMG LLP (international accounting firm) (from 1972 to 2002); Director of Maryland Business Roundtable for Education (from July 1984 to June 2002).

### [David L. Meister, Director](#)

Age: 70 | Number of Funds Overseen: 30 | Tenure: Since 1986

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: Consultant. Chairman and Chief Executive Officer of The Tennis Channel (from June 2000 to March 2005). Mr. Meister's prior business experience includes having served as Chief Executive Officer of Seniorlife.com, a consultant to the communications industry, President of Financial News Network, Senior Vice President of HBO, President of Time-Life Films and Head of Broadcasting for Major League Baseball.

### [G. Peter O Brien, Director](#)

Age: 64 | Number of Funds Overseen: 44 | Tenure: Since 2001

Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 14 Legg Mason Funds; Director of Technology Investment Capital Corp.

Principal Occupation(s) During Past Five Years: Trustee Emeritus of Colgate University (since 2005); Board Member of Hill House, Inc. (since 1999); Formerly: Trustee of Colgate University (from 1996 to 2005), President of Hill House, Inc. (from 2001 to 2005) and Managing Director/Equity Capital Markets Group of Merrill Lynch & Co. (from 1971 to 1999).

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### [John D. Diederich, Vice President and Treasurer](#)

Age: 58 | Tenure: Since 2001

Principal Occupation(s) During Past Five Years: Chief Operating Officer, Managing Director and member of the Board of Managers of Royce; Chief Financial Officer of Royce; Director of Administration of the Trust; and President of RFS, having been employed by Royce since April 1993.

[Jack E. Fockler, Jr., Vice President](#)

Age: 51 | Tenure: Since 1995

Principal Occupation(s) During Past Five Years: Managing Director and Vice President of Royce, and Vice President of RFS, having been employed by Royce since October 1989.

[W. Whitney George, Vice President](#)

Age: 51 | Tenure: Since 1995

Principal Occupation(s) During Past Five Years: Co-Chief Investment Officer, Managing Director and Vice President of Royce, having been employed by Royce since October 1991.

[Daniel A. O Byrne, Vice President and Assistant Secretary](#)

Age: 47 | Tenure: Since 1994

Principal Occupation(s) During Past Five Years: Principal and Vice President of Royce, having been employed by Royce since October 1986.

[John E. Denneen, Secretary and Chief Legal Officer](#)

Age: 42 | Tenure: 1996-2001 and Since April 2002

Principal Occupation(s) During Past Five Years: General Counsel, Principal, Chief Legal and Compliance Officer and Secretary of Royce; Secretary and Chief Legal Officer of The Royce Funds.

[Lisa Curcio, Chief Compliance Officer](#)

Age: 50 | Tenure: Since 2004

Principal Occupation(s) During Past Five Years: Chief Compliance Officer of The Royce Funds (since October 2004) and Compliance Officer of Royce (since June 2004); Vice President, The Bank of New York (from February 2001 to June 2004).

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\* Interested Director

\*\* Retired from the Funds Board of Directors effective January 1, 2010.

Each director will hold office until their successors have been duly elected and qualified or until their earlier resignation or removal. The Statement of Additional Information, which contains additional information about the Trust's directors and officers, is available and can be obtained without charge at [www.roycefunds.com](http://www.roycefunds.com) or by calling (800) 221-4268.

## Notes to Performance and Other Important Information

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The thoughts expressed in this *Review and Report* concerning recent market movements and future prospects for small company stocks are solely the opinion of Royce at December 31, 2009, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Funds' portfolios and Royce's investment intentions with respect to those securities reflect Royce's opinions as of December 31, 2009 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this *Review and Report* will be included in any Royce-managed portfolio in the future. The Funds invest primarily in securities of micro-, small- and mid-cap companies, which may involve considerably more risk than investments of larger-cap companies. All publicly released material information is always disclosed by the Funds on the website at [www.roycefunds.com](http://www.roycefunds.com).

The Russell 2000 is an index of domestic small-cap stocks. It measures the performance of the 2,000 smallest publicly traded U.S. companies in the Russell 3000 index. The Russell 2000 Value and Growth indices consist of the respective value and growth stocks within the Russell 2000 as determined by Russell Investments. The Russell Microcap Index measures the performance of the smallest 1,000 companies in the Russell 2000. The S&P 500 and S&P SmallCap 600 are indices of U.S. large- and small-cap stocks, respectively, selected by Standard & Poor's based on market size, liquidity and industry grouping, among other factors. The Nasdaq Composite is an index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The MSCI EAFE Index (Europe, Australasia, Far East) is designed to measure the equity market performance of developed equity markets, excluding the U.S. and Canada. The MSCI World ex-U.S.A. Small Core index represents the small-cap segment in the world's developed equity markets excluding the United States. Returns for the market indices used in this *Review and Report* were based on information supplied to Royce by Russell Investments and Morningstar. Royce has not independently verified the above described information. *The Royce Funds* is a service mark of The Royce Funds.

### Forward-Looking Statements

This material contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve risks and uncertainties, including, among others, statements as to:

- the Funds' future operating results
- the prospects of the Funds' portfolio companies
- the impact of investments that the Funds have made or may make
- the dependence of the Funds' future success on the general economy and its impact on the companies and industries in which the Funds invest, and
- the ability of the Funds' portfolio companies to achieve their objectives.

This *Review and Report* uses words such as anticipates, believes, expects, future, intends, and similar expressions to identify forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements for any reason.

The Royce Funds have based the forward-looking statements included in this *Review and Report* on information available to us on the date of the report, and we assume no obligation to update any such forward-looking statements. Although The Royce Funds undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make through future stockholder communications or reports.

### Authorized Share Transactions

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may each repurchase up to 5% of the issued and outstanding shares of its respective common stock and up to 10% of the issued and outstanding shares of its respective preferred stock during the year ending December 31, 2010. Any such repurchases would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the share's then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the share's liquidation value.

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust are also authorized to offer their common stockholders an opportunity to subscribe for additional shares of their common stock through rights offerings at a price per share that may be less than the share's then current net asset value. The timing and terms of any such offerings are within each Board's discretion.

### Annual Certifications

As required, the Funds have submitted to the New York Stock Exchange (NYSE) for Royce Value Trust and Royce Micro-Cap Trust and to Nasdaq for Royce Focus Trust, respectively, the annual certification of the Funds' Chief Executive Officer that he is not aware of any violation of the NYSE's or Nasdaq's Corporate Governance listing standards. The Funds also have included the

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certification of the Funds' Chief Executive Officer and Chief Financial Officer required by section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Funds' form N-CSR for the period ended December 31, 2009, filed with the Securities and Exchange Commission.

### Change to Fund's Investment Restrictions

At the December 2-3, 2009 regular meeting of the Board of Directors of Royce Value Trust, the Board approved a change to the Fund's non-fundamental investment policies reducing the percentage of the Fund's total assets required to be invested in common stocks and convertible securities from 75% to 65%. Such change is effective May 1, 2010.

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## Proxy Voting

A copy of the policies and procedures that The Royce Funds use to determine how to vote proxies relating to portfolio securities and information regarding how each of The Royce Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available, without charge, on The Royce Funds' website at [www.roycefunds.com](http://www.roycefunds.com), by calling 1-800-221-4268 (toll-free) and on the website of the Securities and Exchange Commission (SEC), at [www.sec.gov](http://www.sec.gov).

## Form N-Q Filing

The Funds file their complete schedules of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Royce Funds' holdings are also on the Funds' website approximately 15 to 20 days after each calendar quarter end and remain available until the next quarter's holdings are posted. The Funds' Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 1-800-732-0330. The Funds' complete schedules of investments are updated quarterly, and are available at [www.roycefunds.com](http://www.roycefunds.com).

### Royce Value Trust, Inc.

At the 2009 Annual Meeting of Stockholders held on September 23, 2009, the Fund's stockholders elected four Directors, consisting of:

|                     | VOTES FOR  | VOTES WITHHELD |
|---------------------|------------|----------------|
| * Charles M. Royce  | 64,235,213 | 1,332,858      |
| * G. Peter O'Brien  | 64,168,654 | 1,399,417      |
| ** William L. Koke  | 8,290,443  | 129,275        |
| ** David L. Meister | 8,297,589  | 122,129        |

\*Common Stock and Preferred Stock voting together as a single class.

\*\*Preferred Stock voting as a separate class.

### Royce Micro-Cap Trust, Inc.

At the 2009 Annual Meeting of Stockholders held on September 23, 2009, the Fund's stockholders elected four Directors, consisting of:

|                     | VOTES FOR  | VOTES WITHHELD |
|---------------------|------------|----------------|
| * Charles M. Royce  | 25,715,712 | 707,676        |
| * G. Peter O'Brien  | 25,615,917 | 807,471        |
| ** William L. Koke  | 2,213,076  | 88,364         |
| ** David L. Meister | 2,180,064  | 121,376        |

\*Common Stock and Preferred Stock voting together as a single class.

\*\*Preferred Stock voting as a separate class.

### Royce Focus Trust, Inc.

At the 2009 Annual Meeting of Stockholders held on September 23, 2009, the Fund's stockholders elected four Directors, consisting of:

|  | VOTES FOR | VOTES WITHHELD |
|--|-----------|----------------|
|--|-----------|----------------|

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|                      |            |           |
|----------------------|------------|-----------|
| * Charles M. Royce   | 16,512,734 | 302,507   |
| * G. Peter O Brien   | 14,903,285 | 1,911,956 |
| ** Stephen L. Isaacs | 948,560    | 7,373     |
| ** David L. Meister  | 948,560    | 7,373     |

\*Common Stock and Preferred Stock voting together as a single class.

\*\*Preferred Stock voting as a separate class.

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## Cultural Issues

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An important element of our culture comes from being contrarians. Throughout our 35-plus years as small-cap value investors, we have typically swum against the current.

Every company has a culture. That is, every company develops certain distinct, if not distinctive, ways of doing business, handling employees, looking at the wider world, etc. Some of this is related to a company's size. For example, our own field of asset management boasts some very well known, very large organizations that offer a vast menu of financial services to complement their expertise in mutual fund management. Although their businesses and ours share extensive common ground, their corporate cultures would tend to be vastly different from our own here at Royce.

As a smaller company, our culture remains distinctly entrepreneurial, which we can trace back to our roots as a firm that initially consisted of Chuck Royce and a small handful of people in the early '70s. Even today, with more than 30 investment professionals and a little more than 100 people employed overall, we are still very much on the small side as companies go, and as a result, we happily retain our entrepreneurial bent.

Another element of our culture comes from being contrarians. Throughout our 35-plus years as small-cap value investors, we have typically swum against the current. Our disciplined approach generally has us buying when most others are selling and vice versa. We also focus very closely on risk. In most of our funds, we are at least as interested in preserving capital as we are in making it grow. In addition, we have a long-term time horizon, seeking strong absolute returns over three-year periods or longer. Finally, our work is centered on small-cap investing. We have broadened the market cap range to include mid-cap stocks in some portfolios over the last few years, but the vast majority of our net assets remain invested in companies with market capitalizations less than \$2.5 billion.

Each of these core tenets has contributed to how we think about our goals as a business, and each has exerted some influence on the development of our culture. For example, we look to hire people who we think will fit well with our culture, one that, in addition to the traits already described, is professional and collegial. True to our nature as contrarians, we often seek talented professionals when others are not—most recently during 2009, when most of our peers were contracting in size. When bringing new people into the firm, we ask ourselves, "How is this person likely to work out over the long run?" We look less to meet immediate needs but instead try to fill what we see as long-term roles, trying to find people capable of the kind of thinking that can improve and evolve our investment practice.

When we began in earnest to increase the size of our investment staff in 1998, our first moves were to bring in portfolio managers Buzz Zaino and Charlie Dreifus, two highly friendly competitors of Chuck's with a similar level of experience and capability in the small-cap world. They in turn were drawn to our singular focus on small-cap stocks and value investing. Each came to us from larger firms in which small-cap investing was part of a much larger investment picture.

Yet shortly before this, our current Co-Chief Investment Officer, Whitney George, was beginning to assume greater portfolio management responsibilities. We liked both the long years of experience that Buzz and Charlie brought as much as the promise and fresh outlook that Whitney's relative youth provided. In both cases, we were thinking mostly of the long-term well-being of the firm and the ongoing improvement of our small-cap value approach.

We obviously think very highly of professionals with the quality of experience that Buzz and Charlie brought. However, we were equally confident in the talent (and potential) of relatively younger professionals, such as Jenifer Taylor, Jay Kaplan, Chip Skinner and David Nadel, who have also joined our firm. They embrace our contrarian habits and our singular devotion to small-cap value investing. All of our talented staff will continue to play significant roles in keeping our entrepreneurial culture the unique force that we believe it to be.





**Wealth Of Experience**

With approximately \$29 billion in open- and closed-end fund assets under management, Royce & Associates is committed to the same small-company investing principles that have served us well for more than 35 years. Charles M. Royce, our President and Co-Chief Investment Officer, enjoys one of the longest tenures of any active mutual fund manager. Royce’s investment staff also includes Co-Chief Investment Officer W. Whitney George, 15 Portfolio Managers, nine assistant portfolio managers and analysts, and eight traders.

**Multiple Funds, Common Focus**

Our goal is to offer both individual and institutional investors the best available small-cap value portfolios. Unlike a lot of mutual fund groups with broad product offerings, we have chosen to concentrate on small-company value investing by providing investors with a range of funds that take full advantage of this large and diverse sector.

**Consistent Discipline**

Our approach emphasizes paying close attention to risk and maintaining the same discipline, regardless of market movements and trends. The price we pay for a security must be significantly below our appraisal of its current worth. This requires a thorough analysis of the financial and business dynamics of an enterprise, as though we were purchasing the entire company.

**Co-Ownership Of Funds**

It is important that our employees and shareholders share a common financial goal; our officers, employees and their families currently have approximately \$99 million invested in *The Royce Funds*.

745 Fifth Avenue | New York, NY 10151 | P (800)  
221-4268 | [www.roycefunds.com](http://www.roycefunds.com)

|                                                                  |                                                                  |                                                                  |                                             |
|------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------|
| <b>General Information</b>                                       | <b>RIA Services</b>                                              | <b>Broker/Dealer Services</b>                                    | <b>Computershare</b>                        |
| Additional Report Copies and Prospectus Inquiries (800) 221-4268 | Fund Materials and Performance Updates (800) 33-ROYCE (337-6923) | Fund Materials and Performance Updates (800) 59-ROYCE (597-6923) | Transfer Agent and Registrar (800) 426-5523 |



**Item 2. Code(s) of Ethics.** As of the end of the period covered by this report, the Registrant had adopted a code of ethics, as defined in Item 2 of Form N-CSR, applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is filed as an exhibit to this Form N-CSR. No substantive amendments were approved or waivers were granted to this code of ethics during the period covered by this report.

**Item 3. Audit Committee Financial Expert.**

- (a)(1) The Board of Directors of the Registrant has determined that it has an audit committee financial expert.
- (a)(2) Arthur S. Mehlman was designated by the Board of Directors as the Registrant's Audit Committee Financial Expert, effective April 15, 2004. Mr. Mehlman is independent as defined under Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.**

- (a) Audit Fees:  
Year ended December 31, 2009 - \$26,600  
Year ended December 31, 2008 - \$27,100
- (b) Audit-Related Fees:  
Year ended December 31, 2009 - \$1,500 Preparation of reports to rating agency for Preferred Stock  
Year ended December 31, 2008 - \$1,500 Preparation of reports to rating agency for Preferred Stock
- (c) Tax Fees:  
Year ended December 31, 2009 - \$6,750 - Preparation of tax returns  
Year ended December 31, 2008 - \$6,500 - Preparation of tax returns
- (d) All Other Fees:  
Year ended December 31, 2009 - \$0  
Year ended December 31, 2008 - \$0
- (e)(1) Annual Pre-Approval: On an annual basis, the Registrant's independent auditor submits to the Audit Committee a schedule of proposed audit, audit-related, tax and other non-audit services to be rendered to the Registrant and/or investment adviser(s) for the following year that require pre-approval by the Audit Committee. This schedule provides a description of each type of service that is expected to require pre-approval and the maximum fees that can be paid for each such service without further Audit Committee approval. The Audit Committee then reviews and determines whether to approve the types of scheduled services and the projected fees for them. Any subsequent revision to already pre-approved services or fees (including fee increases) are presented for consideration at the next regularly scheduled Audit Committee meeting, as needed.

If subsequent to the annual pre-approval of services and fees by the Audit Committee, the Registrant or one of its affiliates determines that it would like to engage the Registrant's independent auditor to perform a service not already pre-approved, the request is to be submitted to the Registrant's Chief Financial Officer, and if he or she determines that the service fits within the independence guidelines (e.g., it is not a prohibited service), he or she will then arrange for a discussion of the proposed service and fee to be included on the agenda for the next regularly scheduled Audit Committee meeting so that pre-approval can be considered.

Interim Pre-Approval: If, in the judgment of the Registrant's Chief Financial Officer, a proposed engagement needs to commence before the next regularly scheduled Audit Committee meeting, he or she shall submit a written summary of the proposed engagement to all members of the Audit Committee, outlining the services, the estimated maximum cost, the category of the services (e.g., audit, audit-related, tax or other) and the rationale for engaging the Registrant's independent auditor to perform the services. To the extent the proposed engagement involves audit, audit-related or tax services, any individual member of the Audit Committee who is an independent Board member is authorized to pre-approve the engagement. To the extent the proposed engagement involves non-audit services other than audit-related or tax, the Chairman of the Audit Committee is authorized to pre-approve the engagement. The Registrant's Chief Financial Officer will arrange for this interim review and

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coordinate with the appropriate member(s) of the Committee. The independent auditor may not commence the engagement under consideration until the Registrant's Chief Financial Officer has informed the auditor in writing that pre-approval has been obtained from the Audit Committee or an individual member who is an independent Board member. The member of the Audit Committee who pre-approves any engagements in between regularly scheduled Audit Committee meetings is to report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next regularly scheduled meeting.

(e)(2) Not Applicable

(f) Not Applicable

(g) Year ended December 31, 2009 - \$8,250

Year ended December 31, 2008 - \$8,000

(h) No such services were rendered during 2009 or 2008.

**Item 5. Audit Committee of Listed Registrants.** The Registrant has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Richard M. Galkin, Stephen L. Isaacs, William L. Koke, Arthur S. Mehlman, David L. Meister and G. Peter O'Brien are members of the Registrant's audit committee.

**Item 6. Investments.**

(a) See Item 1.

(b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

June 5, 2003, as amended  
through October 22, 2009

**Royce & Associates Proxy Voting Guidelines and Procedures**

These procedures apply to Royce & Associates, LLC ( Royce ) and all funds and other client accounts for which it is responsible for voting proxies, including all open and closed-end registered investment companies ( The Royce Funds ), limited partnerships, limited liability companies, separate accounts, other accounts for which it acts as investment adviser and any accounts for which it acts as sub-adviser that have delegated proxy voting authority to Royce. Such authority is determined at the inception of each client account and generally: (i) is specifically authorized in the applicable investment management agreement or other written instrument or (ii) where not specifically authorized, is granted to Royce where general investment discretion is given to it in the applicable investment management agreement. The Boards of Trustees/Directors of The Royce Funds (the Boards ) have delegated all proxy voting decisions to Royce subject to these policies and procedures. Notwithstanding the above, from time to time the Boards may reserve voting authority for specific securities.

Receipt of Proxy Material. Under the continuous oversight of the Head of Administration, an Administrative Assistant designated by him is responsible for monitoring receipt of all proxies and ensuring that proxies are received for all securities for which Royce has proxy voting responsibility. All proxy materials are logged in upon receipt by Royce's Librarian

Voting of Proxies. Once proxy material has been logged in by Royce's Librarian, it is then promptly reviewed by the designated Administrative Assistant to evaluate the issues presented. Regularly recurring matters are usually voted as recommended by the issuer's board of directors or management. The Head of Administration or his designee, in consultation with the Chief Investment Officer, develops and updates a list of matters Royce treats as regularly recurring and is responsible for ensuring that the designated Administrative Assistant has an up-to-date list of these matters at all times, including instructions from Royce's Chief Investment Officer on how to vote on those matters on behalf of Royce clients. Examples of regularly recurring matters include non-contested elections of directors and non-contested approval of independent auditors. Non-regularly recurring matters are brought to

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the attention of the portfolio manager(s) for the account(s) involved by the designated Administrative Assistant, and, after giving some consideration to advisories from Glass Lewis & Co., an independent third party research firm, the portfolio manager directs that such matters be voted in a way that he or she believes should better protect or enhance the value of the investment. If the portfolio manager determines that information concerning any proxy requires analysis, is missing or incomplete, he or she then gives the proxy to an analyst or another portfolio manager for review and analysis.

- a. From time to time, it is possible that one Royce portfolio manager will decide (i) to vote shares held in client accounts he or she manages differently from the vote of another Royce portfolio manager whose client accounts hold the same security or (ii) to abstain from voting on behalf of client accounts he or she manages when another Royce portfolio manager is casting votes on behalf of other Royce client accounts.

The designated Administrative Assistant reviews all proxy votes collected from Royce's portfolio managers prior to such votes being cast. If any difference exists among the voting instructions given by Royce's portfolio managers, as described above, the designated Administrative Assistant then presents these proposed votes to the Head of Administration, or his designee, and the Chief Investment Officer. The Chief Investment Officer, after consulting with the relevant portfolio managers, either reconciles the votes or authorizes the casting of differing votes by different portfolio managers. The Head of Administration, or his designee, maintains a log of all votes for which different portfolio managers have cast differing votes, that describes the rationale for allowing such differing votes and contains the initials of both the Chief Investment Officer and Head of Administration, or his designee, allowing such differing votes. The Head of Administration, or his designee, performs a weekly review of all votes cast by Royce to confirm that any conflicting votes were properly handled in accordance with the above-described procedures.

- b. There are many circumstances that might cause Royce to vote against an issuer's board of directors or management proposal. These would include, among others, excessive compensation, unusual management stock options, preferential voting and poison pills. The portfolio managers decide these issues on a case-by-case basis as described above.
- c. A portfolio manager may, on occasion, determine to abstain from voting a proxy or a specific proxy item when he or she concludes that the potential benefit of voting is outweighed by the cost, when it is not in the client account's best interest to vote.
- d. When a client has authorized Royce to vote proxies on its behalf, Royce will generally not accept instructions from the clients regarding how to vote proxies.
- e. If a security is on loan under The Royce Funds' Securities Lending Program with State Street Bank and Trust Company (Loaned Securities), the Head of Administration, or his designee, will recall the Loaned Securities and request that they be delivered within the customary settlement period after the notice, to permit the exercise of their voting rights if the number of shares of the security on loan would have a material effect on The Royce Funds' voting power at the up-coming stockholder meeting. A material effect is defined as any case where the Loaned Securities are 1% or more of a class of a company's outstanding equity securities. Monthly, the Head of Administration or his designee will review the summary of this activity by State Street. A quarterly report detailing any exceptions that occur in recalling Loaned Securities will be given to the Boards.

Custodian banks are authorized to release all proxy ballots held for Royce client account portfolios to Glass Lewis & Co. for voting, utilizing the Viewpoint proxy voting platform. Substantially all portfolio companies utilize Broadridge to collect their proxy votes.

Under the continuous oversight of the Head of Administration, or his designee, the designated Administrative Assistant is responsible for voting all proxies in a timely manner. Votes are returned to Broadridge using Viewpoint as ballots are received, generally two weeks before the scheduled meeting date. The issuer can thus see that the shares were voted, but the actual vote cast is not released to the company until 4:00 pm on the day before the meeting. If proxies must be mailed, they go out at least ten business days before the meeting date.

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**Conflicts of Interest.** The designated Administrative Assistant reviews reports generated by Royce's portfolio management system ( Quest PMS ) that set forth by record date, any security held in a Royce client account which is issued by a (i) public company that is, or a known affiliate of which is, a separate account client of Royce (including sub-advisory relationships), (ii) public company, or a known affiliate of a public company, that has invested in a privately-offered pooled vehicle managed by Royce or (iii) public company, or a known affiliate of a public company, by which the spouse of a Royce employee or an immediate family member of a Royce employee living in the household of such employee is employed, for the purpose of identifying any potential proxy votes that could present a conflict of interest for Royce. The Head of Administration, or his designee, develops and updates the list of such public companies or their known affiliates which is used by Quest PMS to generate these daily reports. This list also contains information regarding the source of any potential conflict relating to such companies. Potential conflicts identified on the conflicts reports are brought to the attention of the Head of Administration or his designee by the designated Administrative Assistant. An R&A Compliance Officer then reviews them to determine if business or personal relationships exist between Royce, its officers, managers or employees and the company that could present a material conflict of interest. Any such identified material conflicts are voted by Royce in accordance with the recommendation given by an independent third party research firm (Glass Lewis & Co.). The Head of Administration or his designee maintains a log of all such conflicts identified, the analysis of the conflict and the vote ultimately cast. Each entry in this log is signed by the Chief Investment Officer before the relevant votes are cast.

**Recordkeeping.** A record of the issues and how they are voted is stored in the Viewpoint system. Copies of all physically executed proxy cards, all proxy statements (with it being permissible to rely on proxy statements filed and available on Edgar) and any other documents created or reviewed that are material to making a decision on how to vote proxies are retained in the Company File maintained by Royce's Librarian in an easily accessible place for a period of not less than six years from the end of the fiscal year during which the last entry was made on such record, the first two years at Royce's office. In addition, copies of each written client request for information on how Royce voted proxies on behalf of that client, and a copy of any written response by Royce to any (written or oral) client request for information on how Royce voted proxies on behalf of that client will be maintained by Royce's Head of Administration and/or Royce's Director of Alternative Investments, or their designee (depending on who received such request) for a period of not less than six years from the end of the fiscal year during which the last entry was made on such record, the first two years at Royce's office. Royce's Compliance Department shall maintain a copy of any proxy voting policies and procedures in effect at any time within the last five years.

**Disclosure.** Royce's proxy voting procedures will be disclosed to clients upon commencement of a client account. Thereafter, proxy voting records and procedures are generally disclosed to those clients for which Royce has authority to vote proxies as set forth below:

- The Royce Funds' proxy voting records are disclosed annually on Form N-PX (with such voting records also available at [www.roycefunds.com](http://www.roycefunds.com)). Proxy voting procedures are available in the Statement of Additional Information for the open-end funds, in the annual report on Form N-CSR for the closed-end funds and at [www.roycefunds.com](http://www.roycefunds.com).
- Limited Liability Company and Limited Partnership Accounts' proxy voting records are disclosed to members/partners upon request and proxy voting procedures (along with a summary thereof) are provided to members/partners annually (and are available at [www.roycefunds.com](http://www.roycefunds.com)).
- Separate Accounts' proxy voting records and procedures are disclosed to separate account clients annually.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

(a)(1) Portfolio Managers of Closed-End Management Investment Companies (information as of December 31, 2009)

| Name              | Title                                                  | Length of Service | Principal Occupation(s) During Past 5 Years                                                                                                                                                                                                                                                                                            |
|-------------------|--------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| W. Whitney George | Vice President and Portfolio Manager of the Registrant | Since July 2002   | Co-Chief Investment Officer, Managing Director and Vice President of Royce & Associates, LLC ( Royce ), investment adviser to the Registrant; Vice President of the Registrant, Royce Value Trust, Inc., Royce Micro-Cap Trust, Inc., Royce Focus Trust, Inc., The Royce Fund and Royce Capital Fund (collectively, The Royce Funds ). |

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(a)(2) Other Accounts Managed by Portfolio Manager and Potential Conflicts of Interest (information as of December 31, 2009)

### Other Accounts

| <b>Type of Account</b>             | <b>Number of Accounts Managed</b> | <b>Total Assets Managed</b> | <b>Number of Accounts Managed for which Advisory Fee is Performance-Based</b> | <b>Value of Managed Accounts for which Advisory Fee is Performance Based</b> |
|------------------------------------|-----------------------------------|-----------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Registered investment companies    | 10                                | \$15,075,847,613            | 1                                                                             | \$9,116,884                                                                  |
| Private pooled investment vehicles | 3                                 | \$342,210,000               | 1                                                                             | \$111,412,000                                                                |
| Other accounts*                    | 1                                 | \$22,539,110                | -                                                                             | -                                                                            |

\*Other accounts include all other accounts managed by the Portfolio Manager in either a professional or personal capacity except for personal accounts subject to pre-approval and reporting requirements under the Registrant's Rule 17j-1 Code of Ethics.

### Conflicts of Interest

The fact that the Portfolio Manager has day-to-day management responsibility for more than one client account may create actual, potential or only apparent conflicts of interest. For example, the Portfolio Manager may have an opportunity to purchase securities of limited availability. In this circumstance, the Portfolio Manager is expected to review each account's investment guidelines, restrictions, tax considerations, cash balances, liquidity needs and other factors to determine the suitability of the investment for each account and to ensure that his managed accounts are treated equitably. The Portfolio Manager may also decide to purchase or sell the same security for multiple managed accounts at approximately the same time. To address any conflicts that this situation may create, the Portfolio Manager will generally combine managed account orders (i.e., enter a "bunched" order) in an effort to obtain best execution or a more favorable commission rate. In addition, if orders to buy or sell a security for multiple accounts managed by common Portfolio Managers on the same day are executed at different prices or commission rates, the transactions will generally be allocated by Royce & Associates, LLC ( Royce ) to each of such managed accounts at the weighted average execution price and commission. In circumstances where a pre-allocated bunched order is not completely filled, each account will normally receive a pro-rated portion of the securities based upon the account's level of participation in the order. Royce may under certain circumstances allocate securities in a manner other than pro-rata if it determines that the allocation is fair and equitable under the circumstances and does not discriminate against any account.

As described below, there is a revenue-based component of the Portfolio Manager's Performance-Related Variable Compensation and the Portfolio Manager also receives Firm-Related Variable Compensation based on revenues (adjusted for certain imputed expenses) generated by Royce. In addition, the Portfolio Manager receives variable compensation based on Royce's retained pre-tax profits from operations. As a result, the Portfolio Manager may receive a greater relative benefit from activities that increase the value to Royce of The Royce Funds and/or other Royce client accounts, including, but not limited to, increases in sales of the Registrant's shares and assets under management.

Also, as described above, the Portfolio Manager generally manages more than one client account, including, among others, registered investment company accounts, separate accounts and private pooled accounts managed on behalf of institutions (e.g., pension funds, endowments and foundations) and for high-net-worth individuals. The appearance of a conflict of interest may arise where Royce has an incentive, such as a performance-based management fee (or any other variation in the level of fees payable by The Royce Funds or other Royce client accounts to Royce), which relates to the management of one or more of The Royce Funds or accounts with respect to which the Portfolio Manager has day-to-day management responsibilities. One registered investment company account, Royce Global Select Fund, for which the Portfolio Manager serves as Assistant Portfolio Manager, pays Royce a performance-based fee.

Finally, conflicts of interest may arise when the Portfolio Manager personally buys, holds or sells securities held or to be purchased or sold for the Registrant or other Royce client account or personally buys, holds or sells the shares of one or more of The Royce Funds. To address this, Royce has adopted a written Code of Ethics designed to prevent and detect personal trading activities that may interfere or conflict with client interests (including Registrant's stockholders' interests). Royce generally does not permit its Portfolio Managers to purchase small- or micro-cap securities in their personal investment portfolios.



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Royce and The Royce Funds have adopted certain compliance procedures which are designed to address the above-described types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

### (a)(3) Description of Portfolio Manager Compensation Structure (information as of December 31, 2009)

Royce seeks to maintain a compensation program that is competitively positioned to attract and retain high-caliber investment professionals. The Portfolio Manager, receives from Royce a base salary, Performance-Related Variable Compensation, Firm-Related Variable Compensation based primarily on registered investment company and other client account revenues generated by Royce and a benefits package. Portfolio Manager compensation is reviewed and may be modified from time to time as appropriate to reflect changes in the market, as well as to adjust the factors used to determine variable compensation. Except as described below, the Portfolio Manager's compensation consists of the following elements:

- **BASE SALARY.** The Portfolio Manager is paid a base salary. In setting the base salary, Royce seeks to be competitive in light of the Portfolio Manager's experience and responsibilities.
- **PERFORMANCE-RELATED VARIABLE COMPENSATION.** The Portfolio Manager receives quarterly Performance-Related Variable Compensation that is either asset-based, or revenue-based and therefore in part based on the value of the net assets of the account for which he is being compensated, determined with reference to each of the registered investment company and other client accounts he is managing. The Performance-Related Variable Compensation applicable to the registered investment company accounts managed by the Portfolio Manager is subject to downward adjustment or elimination based on a combination of 3-year, 5-year and 10-year risk-adjusted pre-tax returns of such accounts relative to all small-cap objective funds with three years of history tracked by Morningstar (as of December 31, 2009 there were 333 such Funds tracked by Morningstar), 5-year absolute returns of such accounts relative to 5-year U.S. Treasury Notes and absolute returns over the prior full market cycle and current cycle to date vs. the accounts' benchmark. The Performance-Related Variable Compensation applicable to non-registered investment company accounts managed by the Portfolio Manager, and to Royce Select Funds, is not subject to performance-related adjustment.

Payment of the Performance-Related Variable Compensation may be deferred, and any amounts deferred are forfeitable, if the Portfolio Manager is terminated by Royce with or without cause or resigns. The amount of the deferred Performance-Related Variable Compensation will appreciate or depreciate during the deferral period, based on the total return performance of one or more Royce-managed registered investment company accounts selected by the Portfolio Manager at the beginning of the deferral period. The amount deferred will depend on the Portfolio Manager's total direct, indirect beneficial and deferred unvested investments in the Royce registered investment company account for which he or she is receiving portfolio management compensation.

- **FIRM-RELATED VARIABLE COMPENSATION.** The Portfolio Manager receives quarterly variable compensation based on Royce's net revenues.
- **BENEFIT PACKAGE.** The Portfolio Manager also receives benefits standard for all Royce employees, including health care and other insurance benefits, and participation in Royce's 401(k) Plan and Money Purchase Pension Plan. From time to time, on a purely discretionary basis, the Portfolio Manager may also receive options to acquire stock in Royce's parent company, Legg Mason, Inc. Those options typically represent a relatively small portion of the Portfolio Managers' overall compensation.

The Portfolio Manager, in addition to the above-described compensation, also receives variable compensation based on Royce's retained pre-tax operating profit. This variable compensation, along with the Performance-Related Variable Compensation and Firm-Related Variable Compensation, generally represents the most significant element of the Portfolio Manager's compensation.

### (a)(4) Dollar Range of Equity Securities in Registrant Beneficially Owned by Portfolio Manager (information as of December 31, 2009)

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The following table shows the dollar range of the Registrant's shares owned beneficially and of record by the Portfolio Manager, including investments by his immediately family members sharing the same household and amounts invested through retirement and deferred compensation plans.

### **Dollar Range of Registrant's Shares Beneficially Owned**

Over \$1,000,000

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.** Not Applicable.

**Item 10. Submission of Matters to a Vote of Security Holders.** Not Applicable.

**Item 11. Controls and Procedures.**

(a) Disclosure Controls and Procedures. The Principal Executive and Financial Officers concluded that the Registrant's Disclosure Controls and Procedures are effective based on their evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

(b) Internal Control over Financial Reporting. There were no significant changes in Registrant's internal control over financial reporting or in other factors that could significantly affect this control subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses during the second fiscal quarter of the period covered by this report.

**Item 12. Exhibits.** Attached hereto.

(a)(1) The Registrant's code of ethics pursuant to Item 2 of Form N-CSR.

(a)(2) Separate certifications by the Registrant's Principal Executive Officer and Principal Financial Officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not Applicable

(b) Separate certifications by the Registrant's Principal Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(b) under the Investment Company Act of 1940.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ROYCE FOCUS TRUST, INC.**

BY: /s/Charles M. Royce  
**Charles M. Royce**  
**President**

Date: March 3, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

**ROYCE FOCUS TRUST, INC.**

BY: /s/Charles M. Royce  
**Charles M. Royce**  
**President**

Date: March 3, 2010

**ROYCE FOCUS TRUST, INC.**

BY: /s/John D. Diederich  
**John D. Diederich**  
**Chief Financial Officer**

Date: March 3, 2010